



Nkomazi Municipality

Nkomazi Local Municipality

**Annual Financial Statements
for the year ended 30 June 2015**

Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2015

General Information

| | |
|--|--|
| Legal form of entity | Local Municipality |
| Nature of business and principal activities | Providing municipal services |
| Mayoral committee | |
| Executive Mayor | Khoza T S |
| Speaker | Macie K J |
| Chief whip | Mabuza S |
| Members of mayoral committee | Mhlanga M W (Budget and Treasury) Mkhatshwa S L (Planning and Development) Magagula P P (Corporate Services) Ngomane E M (Community and Social Services) Shongwe M R (Infrastructure) |
| Councillors | Cloete A Dikiza G K Dlamini-Zitha S P Hlahla B A Langa N P Letsoalo S M Luphoko P C Lusibane F N Mabuza V E Madolo S P Mahlalela S S Mahlalela E J Makamo L S Makhubela B S Makhubela J J Makhubela L S Malaza B B Mambane D S Maphangwa D A Masilela D L Masilela D J Masilela T E Masuku S H Mathenjwa N D Mathonsi S S Mazibuko B C Mkhabela L A Mkhumbane M R Mkhumbane T C Mnisi D P Mnisi P M Mogiba G N Motha C M Msithini S Z Mthombo T M Myeni N M Mziako P M Ndlala S J |

Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2015

General Information

| | |
|------------------------------------|---|
| Ngomane B D | |
| Ngomane G B | |
| Ngomane L P | |
| Nkambule G J | |
| Nkentshane M E | |
| Nkosi J M | |
| Ntuli S J | |
| Preddy M M S | |
| Shabangu V T | |
| Shongwe M D | |
| Shongwe W H | |
| Shungube Z I | |
| Sibiya S C | |
| Silombo S R | |
| Thumbathi B P | |
| Vuma L T | |
| Zitha M A | |
| Zitha-Dlamini S | |
| Grading of local authority | 4 |
| Chief Finance Officer (CFO) | Mkhonto JW (Acting CFO) |
| Business address | Civic Centre 9 Park Street Malelane 1320 |
| Postal address | Private Bag X101 Malelane 1320 |
| Contact no | 013 790 0245 |
| Bankers | ABSA Bank Nelspruit |
| Auditors | The Auditor-General |
| Demarcation code | MP324 |
| Accounting Officer | Ngwenya M D |

Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2015

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Abbreviations

| | |
|---------|--|
| COID | Compensation for Occupational Injuries and Diseases |
| SA GAAP | South African Statements of Generally Accepted Accounting Practice |
| DBSA | Development Bank of Southern Africa |
| GAMAP | Generally Accepted Municipal Accounting Practice |
| IAS | International Accounting Standards |
| IMFO | Institute of Municipal Finance Officers |
| IPSAS | International Public Sector Accounting Standards |
| MFMA | Municipal Finance Management Act |
| MIG | Municipal Infrastructure Grant (Previously CMIP) |
| IFRS | International Financial Reporting Standards |
| ME's | Municipal Entities |

Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and will be given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and places considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2016 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements will be examined by the municipality's external auditors and their report is expected before 30 November 2015.

The accounting officer is responsible for the preparation of these Annual Financial Statements, which are set out on the attached pages, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in the notes of the attached annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Cooperative Governance and Traditional Affairs determination in accordance with this Act. The annual financial statements set out on pages 6 to 70, which have been prepared on the going concern basis, were approved by the accounting officer. 31 August 2015.

MD Ngwenya

Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2015.

1. Review of activities

Main business and operations

The municipality is a medium capacity municipality, engaged in providing municipal services. It delivers basic services such as water, electricity and refuse removal services to the Malelane, Komatipoort, Marloth Park and Hectorspruit region. The municipality provides free water and refuse removal services to rural areas within the local sphere of Nkomazi.

The operating results and state of affairs of the municipality are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

Net surplus of the municipality was R 260,395,032 (2014: surplus R 45,160,730).

2. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

3. Subsequent events

The accounting officer is not aware of any material matter or circumstance arising since the end of the financial year.

4. Accounting policies

The annual financial statements prepared in accordance with the South African Statements of Generally Recognised Accounting Practice (GRAP), including any interpretations of such Statements issued by the Accounting Practices Board.

5. Accounting Officer

The accounting officer of the municipality at the date of this report is mentioned on page 2.

6. Auditors

The Auditor-General will continue in office for the next financial period.

Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Statement of Financial Position as at 30 June 2015

| Figures in Rand | Note(s) | 2015 | 2014 Restated* |
|---|---------|----------------------|----------------------|
| Assets | | | |
| Current Assets | | | |
| Inventories | 6 | 804,795 | 897,444 |
| Operating lease asset | 17 | 12,481 | 1,946 |
| Receivables from exchange transactions | 7 | 199,929 | 170,868 |
| Receivables from non-exchange transactions | 8 | 101,222,660 | 50,908,517 |
| VAT receivable | 9 | 25,260,519 | 32,403,171 |
| Consumer debtors-exchange transactions | 10 | 26,353,672 | 18,566,998 |
| Deposits made | 18 | 9,015,835 | 3,505,209 |
| Cash and cash equivalents | 11 | 38,114,336 | 8,418,250 |
| | | 200,984,227 | 114,872,403 |
| Non-Current Assets | | | |
| Investment property | 4 | 44,856,726 | 45,073,391 |
| Property, plant and equipment | 5 | 1,743,664,327 | 1,566,536,894 |
| Intangible assets | 12 | 236,513 | 262,990 |
| Heritage assets | 13 | 2,812,819 | 2,812,819 |
| Operating lease asset | 17 | 129,931 | 139,221 |
| | | 1,791,700,316 | 1,614,825,315 |
| Total Assets | | 1,992,684,543 | 1,729,697,718 |
| Liabilities | | | |
| Current Liabilities | | | |
| Other financial liabilities | 15 | 508,335 | 430,989 |
| Finance lease obligation | 16 | 437,799 | - |
| Operating lease liability | 17 | 33,404 | 107,049 |
| Trade and other payables from exchange transactions | 19 | 224,846,429 | 203,790,055 |
| Unspent conditional grants and receipts | 20 | 2,542,974 | 16,914,629 |
| Provisions | 21 | 20,581,005 | 19,377,104 |
| Trade payables from non-exchange transactions | 23 | - | 113,596 |
| Bank overdraft | 11 | - | 4,433,376 |
| | | 248,949,946 | 245,166,798 |
| Non-Current Liabilities | | | |
| Other financial liabilities | 15 | 2,154,940 | 2,673,785 |
| Finance lease obligation | 16 | 211,558 | - |
| Operating lease liability | 17 | 56,811 | 48,421 |
| Provisions | 21 | 19,740,838 | 20,633,309 |
| | | 22,164,147 | 23,355,515 |
| Total Liabilities | | 271,114,093 | 268,522,313 |
| Net Assets | | 1,721,570,450 | 1,461,175,405 |
| Net Assets | | | |
| Accumulated surplus | | 1,721,570,450 | 1,461,175,405 |

* See Note 2 & 48

Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Statement of Financial Performance

| Figures in Rand | Note(s) | 2015 | 2014 Restated* |
|---|---------|----------------------|----------------------|
| Revenue | | | |
| Revenue from exchange transactions | | | |
| Service charges | 27 | 101,120,350 | 76,852,213 |
| Rental of facilities and equipment | 28 | 3,342,089 | 3,393,272 |
| Interest earned - debtors | | 3,628,707 | 5,220,039 |
| Agency services | 25 | 8,574,281 | 4,670,125 |
| Recoveries | 32 | 8,312,975 | 1,035,463 |
| Other income | 33 | 7,703,684 | 6,339,103 |
| Interest earned - external | 29 | 715,887 | 1,794,381 |
| Total revenue from exchange transactions | | 133,397,973 | 99,304,596 |
| Revenue from non-exchange transactions | | | |
| Taxation revenue | | | |
| Property rates | 26 | 102,301,495 | 64,117,325 |
| Transfer revenue | | | |
| Government grants & subsidies | 30 | 648,503,631 | 483,860,819 |
| Public contributions and donations | 31 | 450,000 | 3,752,226 |
| Fines | 25 | 37,336,240 | 9,594,434 |
| Licences and permits | 25 | 13,420 | 19,295 |
| Total revenue from non-exchange transactions | | 788,604,786 | 561,344,099 |
| Total revenue | 25 | 922,002,759 | 660,648,695 |
| Expenditure | | | |
| Employee related cost | 34 | (268,026,875) | (249,736,724) |
| Remuneration of councillors | 35 | (20,291,579) | (19,136,513) |
| Depreciation and amortisation | 36 | (49,175,814) | (49,189,967) |
| Impairment loss | 37 | (2,252,452) | (6,789,731) |
| Finance costs | 38 | (4,071,971) | (2,345,357) |
| Debt Impairment | 39 | (23,820,882) | (10,269,957) |
| Bulk purchases | 41 | (60,277,377) | (58,159,340) |
| Contracted services | 40 | (35,506,197) | (23,266,444) |
| General expenses | 42 | (195,866,129) | (196,730,710) |
| Total expenditure | | (659,289,276) | (615,624,743) |
| Operating surplus | | | |
| Gain / (Loss) of game assets | | 262,713,483 | 45,023,952 |
| | | (2,318,451) | 136,778 |
| Surplus for the year | | 260,395,032 | 45,160,730 |

* See Note 2 & 48

Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Statement of Changes in Net Assets

| Figures in Rand | Accumulated surplus | Total net assets |
|---|------------------------|----------------------|
| Opening balance as previously reported | 1,340,645,612 | 1,340,645,612 |
| Adjustments | | |
| Change in accounting policy | 1,033,563 | 1,033,563 |
| Correction of errors | (3,707,365) | (3,707,365) |
| Balance at 01 July 2013 as restated* | 1,337,971,810 | 1,337,971,810 |
| Changes in net assets | | |
| Clearing of old bank recon items | 8,285 | 8,285 |
| | 8,285 | 8,285 |
| Surplus for the year | 45,160,730 | 45,160,730 |
| Sub total | 45,169,015 | 45,169,015 |
| Total changes | 45,169,015 | 45,169,015 |
| Opening balance as previously reported | 1,383,140,825 | 1,383,140,825 |
| Adjustments | | |
| Correction of errors | 78,034,593 | 78,034,593 |
| Restated* Balance at 01 July 2014 as restated* | 1,461,175,418 | 1,461,175,418 |
| Changes in net assets | | |
| Surplus for the year | 260,395,032 | 260,395,032 |
| Total changes | 260,395,032 | 260,395,032 |
| Balance at 30 June 2015 | 1,721,570,450 | 1,721,570,450 |

Note(s)

* See Note 2 & 48

Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Cash Flow Statement

| Figures in Rand | Note(s) | 2015 | 2014 Restated* |
|---|-----------|----------------------|----------------------|
| Cash flows from operating activities | | | |
| Receipts | | | |
| Delivery of services and other revenue | | 214,682,423 | 155,017,161 |
| Grants | | 648,503,631 | 483,860,820 |
| Interest income | | 715,887 | 1,794,381 |
| | | 863,901,941 | 640,672,362 |
| Payments | | | |
| Employee and councillors related cost | | (288,318,454) | (268,873,238) |
| Suppliers | | (301,334,682) | (109,729,203) |
| Finance costs | | (4,021,569) | (2,314,208) |
| | | (593,674,705) | (380,916,649) |
| Net cash flows from operating activities | 44 | 270,227,236 | 259,755,713 |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | 5 | (230,666,522) | (253,360,948) |
| Proceeds from sale of property, plant and equipment | 5 | 92,500 | 2,038,200 |
| Purchase of investment property | 4 | - | (10,686,592) |
| Purchase of other intangible assets | 12 | (56,986) | (98,171) |
| Deposits made | | (5,510,626) | (203,281) |
| Net cash flows from investing activities | | (236,141,634) | (262,310,792) |
| Cash flows from financing activities | | | |
| Repayment of other financial liabilities | | (441,499) | (376,376) |
| Movement in trade payables from non-exchange transactions | | (113,596) | - |
| Finance lease proceeds / (repayments) | | 598,955 | (698,147) |
| Net cash flows from financing activities | | 43,860 | (1,074,523) |
| Net increase/(decrease) in cash and cash equivalents | | 34,129,462 | (3,629,602) |
| Cash and cash equivalents at the beginning of the year | | 3,984,874 | 7,614,476 |
| Cash and cash equivalents at the end of the year | 11 | 38,114,336 | 3,984,874 |

* See Note 2 & 48

Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

| | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|---|----------------------|---------------------|----------------------|------------------------------------|--|-----------|
| Figures in Rand | | | | | | |
| Statement of Financial Performance | | | | | | |
| Revenue | | | | | | |
| Revenue from exchange transactions | | | | | | |
| Service charges | 97,579,999 | (13,699,137) | 83,880,862 | 101,120,350 | 17,239,488 | |
| Rental of facilities and equipment | 4,573,913 | 589,521 | 5,163,434 | 3,342,089 | (1,821,345) | |
| Interest earned - debtors | 5,463,491 | (3,830,433) | 1,633,058 | 3,628,707 | 1,995,649 | |
| Agency services | 13,333,628 | - | 13,333,628 | 8,574,281 | (4,759,347) | |
| Recoveries | - | 765,020 | 765,020 | 8,312,975 | 7,547,955 | |
| Other income | 7,112,742 | (1,264,022) | 5,848,720 | 7,703,684 | 1,854,964 | |
| Interest earned - external | 2,662,000 | (2,000,000) | 662,000 | 715,887 | 53,887 | |
| Total revenue from exchange transactions | 130,725,773 | (19,439,051) | 111,286,722 | 133,397,973 | 22,111,251 | |
| Revenue from non-exchange transactions | | | | | | |
| Taxation revenue | | | | | | |
| Property rates | 81,773,272 | - | 81,773,272 | 102,301,495 | 20,528,223 | |
| Transfer revenue | | | | | | |
| Government grants & subsidies | 583,858,999 | 14,675,465 | 598,534,464 | 648,503,631 | 49,969,167 | |
| Public contributions and donations | - | - | - | 450,000 | 450,000 | |
| Fines | 665,500 | 8,136,828 | 8,802,328 | 37,336,240 | 28,533,912 | |
| Licences and permits | 29,282 | (8,853) | 20,429 | 13,420 | (7,009) | |
| Total revenue from non-exchange transactions | 666,327,053 | 22,803,440 | 689,130,493 | 788,604,786 | 99,474,293 | |
| Total revenue | 797,052,826 | 3,364,389 | 800,417,215 | 922,002,759 | 121,585,544 | |
| Expenditure | | | | | | |
| Personnel | (226,291,538) | 31,015 | (226,260,523) | (268,026,875) | (41,766,352) | |
| Remuneration of councillors | (19,121,118) | - | (19,121,118) | (20,291,579) | (1,170,461) | |
| Depreciation and amortisation | (60,706,357) | - | (60,706,357) | (49,175,814) | 11,530,543 | |
| Impairment loss/ Reversal of impairments | (3,690,544) | - | (3,690,544) | (2,252,452) | 1,438,092 | |
| Finance costs | (930,352) | (400,000) | (1,330,352) | (4,071,971) | (2,741,619) | |
| Debt impairment | (17,045,171) | - | (17,045,171) | (23,820,882) | (6,775,711) | |
| Bulk purchases | (71,542,723) | - | (71,542,723) | (60,277,377) | 11,265,346 | |
| Contracted services | (18,652,934) | (3,835,814) | (22,488,748) | (35,506,197) | (13,017,449) | |
| General Expenses | (163,502,077) | (30,123,158) | (193,625,235) | (195,866,129) | (2,240,894) | |
| Total expenditure | (581,482,814) | (34,327,957) | (615,810,771) | (659,289,276) | (43,478,505) | |
| Operating surplus | 215,570,012 | (30,963,568) | 184,606,444 | 262,713,483 | 78,107,039 | |
| Loss on disposal of game assets. | - | - | - | (2,318,451) | (2,318,451) | |
| Surplus / (deficit) before taxation | 215,570,012 | (30,963,568) | 184,606,444 | 260,395,032 | 75,788,588 | |

Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

| | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|--|----------------------|---------------------|----------------------|------------------------------------|--|-----------|
| Figures in Rand | | | | | | |
| Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement | 215,570,012 | (30,963,568) | 184,606,444 | 260,395,032 | 75,788,588 | |
| Statement of Financial Position | | | | | | |
| Assets | | | | | | |
| Current Assets | | | | | | |
| Inventories | 736,530 | - | 736,530 | 804,795 | 68,265 | |
| Operating lease asset | - | - | - | 12,481 | 12,481 | |
| Receivables from exchange transactions | - | - | - | 199,929 | 199,929 | |
| VAT receivable | 10,334,325 | - | 10,334,325 | 25,260,519 | 14,926,194 | |
| Consumer debtors | 74,455,629 | 32,403,744 | 106,859,373 | 127,576,332 | 20,716,959 | |
| Deposits made | - | - | - | 9,015,835 | 9,015,835 | |
| Call Investment | 5,000,000 | (5,000,000) | - | - | - | |
| Cash and cash equivalents | 32,302,104 | 21,837,412 | 54,139,516 | 38,114,336 | (16,025,180) | |
| | 122,828,588 | 49,241,156 | 172,069,744 | 200,984,227 | 28,914,483 | |
| Non-Current Assets | | | | | | |
| Investment property | 34,936,799 | - | 34,936,799 | 44,856,726 | 9,919,927 | |
| Property, plant and equipment | 1,715,331,950 | - | 1,715,331,950 | 1,743,664,327 | 28,332,377 | |
| Intangible assets | 387,963 | - | 387,963 | 236,513 | (151,450) | |
| Heritage assets | 2,812,819 | - | 2,812,819 | 2,812,819 | - | |
| Operating lease asset | - | - | - | 129,931 | 129,931 | |
| | 1,753,469,531 | - | 1,753,469,531 | 1,791,700,316 | 38,230,785 | |
| Total Assets | 1,876,298,119 | 49,241,156 | 1,925,539,275 | 1,992,684,543 | 67,145,268 | |
| Liabilities | | | | | | |
| Current Liabilities | | | | | | |
| Other financial liabilities | 364,575 | - | 364,575 | 508,335 | 143,760 | |
| Finance lease obligation | - | - | - | 437,799 | 437,799 | |
| Operating lease liability | - | - | - | 33,404 | 33,404 | |
| Trade and other payables from exchange transactions | 81,000,000 | 83,362,747 | 164,362,747 | 224,846,432 | 60,483,685 | |
| Unspent conditional grants and receipts | - | - | - | 2,542,974 | 2,542,974 | |
| Provisions | 10,579,687 | - | 10,579,687 | 20,581,004 | 10,001,317 | |
| | 91,944,262 | 83,362,747 | 175,307,009 | 248,949,948 | 73,642,939 | |
| Non-Current Liabilities | | | | | | |
| Other financial liabilities | 2,416,507 | - | 2,416,507 | 2,154,940 | (261,567) | |
| Finance lease obligation | - | - | - | 211,558 | 211,558 | |
| Operating lease liability | - | - | - | 56,811 | 56,811 | |
| Provisions | - | - | - | 19,740,838 | 19,740,838 | |
| | 2,416,507 | - | 2,416,507 | 22,164,147 | 19,747,640 | |
| Total Liabilities | 94,360,769 | 83,362,747 | 177,723,516 | 271,114,095 | 93,390,579 | |
| Net Assets | 1,781,937,350 | (34,121,591) | 1,747,815,759 | 1,721,570,448 | (26,245,311) | |

Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

| Figures in Rand | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|--|-----------------|--------------|----------------------|------------------------------------|--|-----------|
| Net Assets | | | | | | |
| Net Assets Attributable to Owners of Controlling Entity | | | | | | |
| Reserves | | | | | | |
| Accumulated surplus | 1,781,937,350 | (34,121,591) | 1,747,815,759 | 1,721,570,448 | (26,245,311) | |

Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Appropriation Statement

Figures in Rand

| | Original budget | Budget adjustments (i.t.o. s28 and s31 of the MFMA) | Final adjustments budget | Shifting of funds (i.t.o. s31 of the MFMA) | Virement (i.t.o. council approved policy) | Final budget | Actual outcome | Unauthorised expenditure | Variance | Actual outcome as % of final budget | Actual outcome as % of original budget |
|--|----------------------|---|--------------------------|--|---|----------------------|----------------------|--------------------------|---------------------|-------------------------------------|--|
| 2015 | | | | | | | | | | | |
| Financial Performance | | | | | | | | | | | |
| Property rates | 81,773,272 | - | 81,773,272 | - | | 81,773,272 | 102,301,495 | | 20,528,223 | 125 % | 125 % |
| Service charges | 97,579,999 | (13,699,137) | 83,880,862 | - | | 83,880,862 | 101,120,350 | | 17,239,488 | 121 % | 104 % |
| Investment revenue | 2,662,000 | (2,000,000) | 662,000 | - | | 662,000 | 715,887 | | 53,887 | 108 % | 27 % |
| Transfers recognised - operational | 364,477,493 | 7,264,615 | 371,742,108 | - | | 371,742,108 | 367,457,367 | | (4,284,741) | 99 % | 101 % |
| Other own revenue | 31,178,556 | 4,388,062 | 35,566,618 | - | | 35,566,618 | 69,708,842 | | 34,142,224 | 196 % | 224 % |
| Total revenue (excluding capital transfers and contributions) | 577,671,320 | (4,046,460) | 573,624,860 | - | | 573,624,860 | 641,303,941 | | 67,679,081 | 112 % | 111 % |
| Employee costs | (226,291,538) | 31,015 | (226,260,523) | - | - | (226,260,523) | (268,026,875) | - | (41,766,352) | 118 % | 118 % |
| Remuneration of councillors | (19,121,118) | - | (19,121,118) | - | - | (19,121,118) | (20,291,579) | - | (1,170,461) | 106 % | 106 % |
| Debt impairment | - | - | - | | | - | (23,820,882) | - | (23,820,882) | DIV/0 % | DIV/0 % |
| Depreciation and asset impairment | (64,396,900) | - | (64,396,900) | | | (64,396,900) | (51,428,266) | - | 12,968,634 | 80 % | 80 % |
| Finance charges | (930,352) | (400,000) | (1,330,352) | - | - | (1,330,352) | (4,071,971) | - | (2,741,619) | 306 % | 438 % |
| Materials and bulk purchases | (73,195,881) | (73,860) | (73,269,741) | - | - | (73,269,741) | (60,277,377) | - | 12,992,364 | 82 % | 82 % |
| Other expenditure | (197,547,023) | 5,417,854 | (192,129,169) | - | - | (192,129,169) | (233,690,777) | - | (41,561,608) | 122 % | 118 % |
| Total expenditure | (581,482,812) | 4,975,009 | (576,507,803) | - | - | (576,507,803) | (661,607,727) | - | (85,099,924) | 115 % | 114 % |
| Surplus/(Deficit) | (3,811,492) | 928,549 | (2,882,943) | - | | (2,882,943) | (20,303,786) | | (17,420,843) | 704 % | 533 % |

Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Appropriation Statement

Figures in Rand

| | Original budget | Budget adjustments (i.t.o. s28 and s31 of the MFMA) | Final adjustments budget (i.t.o. s28 and s31 of the MFMA) | Shifting of funds (i.t.o. s31 of the MFMA) | Virement (i.t.o. council approved policy) | Final budget | Actual outcome | Unauthorised expenditure | Variance | Actual outcome as % of final budget | Actual outcome as % of original budget |
|--|--------------------|--|---|---|---|--------------------|--------------------|--------------------------|--------------------|-------------------------------------|--|
| Transfers recognised - capital | 219,381,506 | 42,410,850 | 261,792,356 | - | | 261,792,356 | 273,206,281 | | 11,413,925 | 104 % | 125 % |
| Surplus (Deficit) after capital transfers and contributions | 215,570,014 | 43,339,399 | 258,909,413 | - | | 258,909,413 | 252,902,495 | | (6,006,918) | 98 % | 117 % |
| Surplus/(Deficit) for the year | 215,570,014 | 43,339,399 | 258,909,413 | - | | 258,909,413 | 252,902,495 | | (6,006,918) | 98 % | 117 % |
| Capital expenditure and funds sources | | | | | | | | | | | |
| Total capital expenditure | 230,906,506 | 54,490,850 | 285,397,356 | - | | 285,397,356 | 230,723,507 | | (54,673,849) | 81 % | 100 % |
| Sources of capital funds | | | | | | | | | | | |
| Transfers recognised - capital | 219,381,506 | 42,410,850 | 261,792,356 | - | | 261,792,356 | 273,206,281 | | 11,413,925 | 104 % | 125 % |
| Internally generated funds | 11,525,000 | - | 11,525,000 | - | | 11,525,000 | - | | (11,525,000) | - % | - % |
| Total sources of capital funds | 230,906,506 | 42,410,850 | 273,317,356 | - | | 273,317,356 | 273,206,281 | | (111,075) | 100 % | 118 % |

Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.2 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Trade receivables

The municipality assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Allowance for slow moving, damaged and obsolete stock

In determining the allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

Impairment testing

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 21 - Provisions.

Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 22.

Effective interest rate

The municipality used an appropriate interest rate, taking into account guidance provided in the accounting standards, and applying professional judgement to the specific circumstances, to discount future cash flows. Appropriate adjustments have been made to compensate for the effect of deferred settlement terms that materially impact on the fair value of financial instruments, revenue and expenses at initial recognition. The adjustments requires a degree of estimation around the discount rates and periods used.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

Useful lives and residual values

The municipality re-assesses the useful lives and residual values of property, plant and equipment on an annual basis. In re-assessing the useful lives and residual values of property, plant and equipment - management considers the conditions and use of individual assets, to determine the remaining period over which the asset can and will be used.

1.3 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.3 Investment property (continued)

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value on a straight line method over the useful life of the property, which is as follows:

| Item | Useful life |
|-----------------|-------------|
| Property - land | indefinite |

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

1.4 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost or fair value of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

The useful lives of items of property, plant and equipment have been assessed as follows:

| Item | Average useful life |
|------|---------------------|
|------|---------------------|

Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.4 Property, plant and equipment (continued)

| | |
|------------------------|----------------|
| Land | Indefinite |
| Buildings | 10 - 30 years |
| Plant and machinery | 5 - 20 years |
| Furniture and fixtures | 5 - 20 years |
| Motor vehicles | 7 - 20 years |
| IT equipment | 5 - 10 years |
| Infrastructure | |
| • Roads and paving | 10 - 100 years |
| • Electricity | 5 - 80 years |
| • Water | 10 - 100 years |
| • Sewerage | 15 - 60 years |
| • Solid waste disposal | 15 - 55 years |

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Game

The municipality recognises game asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

Game assets is initially measured at cost

Where game asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition or game count.

Subsequent to initial recognition game assets are measured at cost less accumulated impairment losses.

The municipality derecognises game asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of game asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the game asset. Such difference is recognised in surplus or deficit when the game asset is derecognised.

1.5 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.5 Intangible assets (continued)

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

| Item | Useful life |
|-------------------|-------------|
| Computer software | 2 - 5 years |

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

1.6 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

Where the municipality holds a heritage asset, but on initial recognition, it does not meet the recognition criteria because it cannot be reliably measured, information on such a heritage asset will be disclosed in note of Heritage assets.

Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.6 Heritage assets (continued)

Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

Impairment

The municipality assesses at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

1.7 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.7 Financial instruments (continued)

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
 - receive cash or another financial asset from another entity; or
 - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.7 Financial instruments (continued)

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

| Class | Category |
|--|--|
| Receivables from exchange transactions | Financial asset measured at amortised cost |
| Receivables from non-exchange transactions | Financial asset measured at amortised cost |
| Cash and cash equivalents | Financial asset measured at amortised cost |

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

| Class | Category |
|---|--|
| Other financial liabilities | Financial liability measured at amortised cost |
| Trade and other payables from exchange transactions | Financial liability measured at amortised cost |
| Bank overdraft | Financial liability measured at amortised cost |
| Trade and other payables from non-exchange transactions | Financial liability measured at amortised cost |

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.7 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at amortised cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Gains and losses

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectability of financial assets

The entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.7 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
 - derecognise the asset; and
 - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

Nkomazi Local Municipality

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Accounting Policies

1.7 Financial instruments (continued)

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

1.8 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the municipality assesses the classification of each element separately.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis

When the straight-lined lease payments recognised as as expense is less than the contractual payments, the difference is accounted as operating lease asset. When the straight-lined lease payments recognised as as expense is more than the contractual payments, the difference is accounted as operating lease liability. Any contingent rents are expensed in the period in which they are incurred.

1.9 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Nkomazi Local Municipality

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Accounting Policies

1.9 Inventories (continued)

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of water inventories is assigned using the weighted average cost formula. The First In First Out cost formula is used for all other inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.10 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

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Accounting Policies

1.10 Impairment of cash-generating assets (continued)

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Reversal of impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable amount of that asset.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

1.11 Impairment of non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.11 Impairment of non-cash-generating assets (continued)

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Reversal of an impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

1.12 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.12 Employee benefits (continued)

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Other post retirement obligations

The municipality provides post-retirement medical scheme benefits upon retirement to some retirees. Payments to medical aid schemes are charged as an expense as they fall due.

1.13 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If the municipality has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 46.

Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.14 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.14 Revenue from exchange transactions (continued)

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Services Charges

Service charges relating to electricity, water and sanitation are based on consumption. Meters are read and billed on a monthly basis and revenue is recognised when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognized as revenue when invoiced. Adjustments to estimates of consumption are made in the invoicing period when meters have been read. These adjustments are recognised as revenue in the invoicing period.

Service charges relating to refuse removal are recognised on a monthly basis by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse points per property

Service charges relating to sewerage are recognised on a monthly basis in arrears by applying the approved tariff. Tariffs are determined per category.

Revenue from Agency services

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

1.15 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Nkomazi Local Municipality

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Accounting Policies

1.15 Revenue from non-exchange transactions (continued)

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Property rates

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Council applies a flat rating system. The same rate factor is applied for land and buildings. In terms of this system, assessment rates are levied on the value of land and buildings in respect of properties. Rebates are granted according to the use of the property concerned. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis

Grants, Transfers and Donations

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

Fines

Revenue from traffic fines is recognised when it is probable that future economic benefits or service potential will flow to the municipality and these benefits can be measured. Subsequent to initial recognition and measurement, the municipality assesses the collectability of the revenue and recognise an impairment loss where appropriate.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting municipality.

1.16 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.17 Unauthorised expenditure

Unauthorized expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act 56 of 2003).

1.18 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.19 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.20 Use of estimates

The preparation of annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.21 Commitments

Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.

Commitments are not recognised in the statement of financial position as a liability, but are included in the disclosure notes in the following cases:

- Approved and already contracted services;
- Approved by accounting officer not yet contracted services
- Where disclosure is required by specific standard of GRAP.

1.22 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP

1.23 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2014/07/01 to 2017/06/30.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.24 Related parties

Related parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party entity and another entity are subject to common control.

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the local sphere of government are considered to be related parties.

Related party disclosures for transactions between government entities that took place on terms and conditions that are considered in arm's length and in the ordinary course of business are not disclosed in accordance with IPSAS 20 Related Party Disclosure.

Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Accounting Policies

1.24 Related parties (continued)

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

1.25 Value Added Tax

The municipality accounts for Value Added Tax on payment basis.

Notes to the Annual Financial Statements

| Figures in Rand | 2015 | 2014 |
|-----------------|------|------|
|-----------------|------|------|

2. Changes in accounting policy

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice on a basis consistent with the prior year except for the adoption of the following new or revised standards.

- GRAP 100 - Discontinued operations

GRAP 100 - Discontinued operations

During the year, the municipality changed its accounting policy with respect to the treatment of non-current assets held for sale. In order to conform with the benchmark treatment in of GRAP 100 – Discontinued operations. The municipality now does not recognise non-current assets held for sale.

Statement of financial position

Property, plant and equipment

| | | |
|-------------------|---|----------------------|
| Previously stated | - | 1,495,604,673 |
| Adjustment | - | 2,130,081 |
| | - | 1,497,734,754 |

Non-current assets held for sale

| | | |
|-------------------|---|-------------|
| Previously stated | - | 2,130,081 |
| Adjustment | - | (2,130,081) |
| | - | - |

Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

3. New standards and interpretations

3.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2015 or later periods:

| Standard/ Interpretation: | Effective date: Years beginning on or after | Expected impact: |
|---|---|--|
| • GRAP 105: Transfers of functions between entities under common control | 01 April 2015 | Not expected to have an impact |
| • GRAP 106: Transfers of functions between entities not under common control | 01 April 2015 | Not expected to have an impact |
| • GRAP 107: Mergers | 01 April 2015 | Not expected to have an impact |
| • GRAP 20: Related parties | 01 April 2016 | Unlikely to have material impact - possible additional disclosures |
| • GRAP32: Service Concession Arrangements: Grantor | 01 April 2016 | Not expected to have an impact |
| • GRAP108: Statutory Receivables | 01 April 2016 | Unlikely to have material impact - possible additional disclosures |
| • IGRAP17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset | 01 April 2016 | Not expected to have an impact |

3.2 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2015 or later periods but are not relevant to its operations:

| Standard/ Interpretation: | Effective date: Years beginning on or after | Expected impact: |
|------------------------------|---|----------------------------|
| • GRAP 18: Segment Reporting | 01 April 2015 | Unlikely to have an impact |

Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand

2015

2014

4. Investment property

| | 2015 | | | 2014 | | |
|---------------------|------------------|---|----------------|------------------|---|----------------|
| | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value |
| Investment property | 46,503,555 | (1,646,829) | 44,856,726 | 46,503,555 | (1,430,164) | 45,073,391 |

Reconciliation of investment property - 2015

| | Opening balance | Depreciation | Total |
|---------------------|-----------------|--------------|------------|
| Investment property | 45,073,391 | (216,665) | 44,856,726 |

Reconciliation of investment property - 2014

| | Opening balance | opening balance adjustment | Transfer to PPE | Total |
|---------------------|-----------------|----------------------------|-----------------|------------|
| Investment property | 34,936,799 | 10,686,592 | (550,000) | 45,073,391 |

Pledged as security

No assets were pledged as security.

Details of property

Investment property consist out of land only and is kept for capital appreciation. The fixed asset register is available for more details of investment property.

Other disclosure

There were no operating costs incurred related to the investment property.

Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand

2015

2014

5. Property, plant and equipment

| | 2015 | | | 2014 | | |
|---------------------------------------|----------------------|---|----------------------|----------------------|---|----------------------|
| | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value |
| Land | 502,804,273 | - | 502,804,273 | 509,205,648 | (6,401,375) | 502,804,273 |
| Buildings | 123,707,717 | (29,726,448) | 93,981,269 | 111,360,241 | (23,388,265) | 87,971,976 |
| Plant and machinery | 25,073,235 | (12,855,165) | 12,218,070 | 23,847,054 | (10,727,127) | 13,119,927 |
| Furniture and fixtures | 7,869,949 | (6,320,445) | 1,549,504 | 7,854,511 | (5,684,318) | 2,170,193 |
| Motor vehicles | 36,315,648 | (29,056,533) | 7,259,115 | 36,315,648 | (26,308,460) | 10,007,188 |
| IT equipment | 6,775,566 | (4,862,112) | 1,913,454 | 6,503,935 | (4,169,859) | 2,334,076 |
| Infrastructure - Electricity | 108,926,743 | (1,966,839) | 106,959,904 | 94,011,543 | 1,205,690 | 95,217,233 |
| Infrastructure - Roads and paving | 228,743,579 | (53,771,768) | 174,971,811 | 199,608,933 | (44,220,992) | 155,387,941 |
| Game | 7,308,219 | - | 7,308,219 | 9,626,669 | - | 9,626,669 |
| Infrastructure - Sewerage | 9,172,812 | (637,449) | 8,535,363 | 5,611,936 | (473,418) | 5,138,518 |
| Infrastructure - Solid waste disposal | 31,304,401 | (1,318,619) | 29,985,782 | 26,301,893 | (710,060) | 25,591,833 |
| Infrastructure - Water | 692,444,744 | (157,042,424) | 535,402,320 | 581,654,314 | (131,943,030) | 449,711,284 |
| Capital work in progress | 260,775,243 | - | 260,775,243 | 207,455,783 | - | 207,455,783 |
| Total | 2,041,222,129 | (297,557,802) | 1,743,664,327 | 1,819,358,108 | (252,821,214) | 1,566,536,894 |

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5. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2015

| | Opening balance | Additions | Disposals | Transfers - WIP completed | Depreciation | Impairment loss | Total |
|---------------------------------------|----------------------|--------------------|--------------------|---------------------------|---------------------|--------------------|----------------------|
| Land | 502,804,273 | - | - | - | - | - | 502,804,273 |
| Buildings | 87,971,976 | 2,674,609 | - | 9,672,867 | (4,400,208) | (1,937,975) | 93,981,269 |
| Plant and machinery | 13,119,927 | 1,226,181 | - | - | (2,128,038) | - | 12,218,070 |
| Furniture and fixtures | 2,170,193 | 15,439 | - | - | (636,128) | - | 1,549,504 |
| Motor vehicles | 10,007,188 | - | - | - | (2,748,073) | - | 7,259,115 |
| IT equipment | 2,334,076 | 271,631 | - | - | (692,253) | - | 1,913,454 |
| Infrastructure - Electricity | 95,217,233 | 6,850,025 | - | 8,065,175 | (3,128,671) | (43,858) | 106,959,904 |
| Infrastructure - Roads and paving | 155,387,941 | 4,165,058 | - | 24,969,588 | (9,474,489) | (76,287) | 174,971,811 |
| Game | 9,626,669 | 92,501 | (2,410,951) | - | - | - | 7,308,219 |
| Infrastructure - Sewerage | 5,138,518 | 122,205 | - | 3,438,671 | (164,031) | - | 8,535,363 |
| Infrastructure - Solid waste disposal | 25,591,833 | 1,095,875 | - | 3,906,633 | (608,559) | - | 29,985,782 |
| Infrastructure - Water | 449,711,284 | 66,824,657 | - | 43,955,946 | (24,895,235) | (194,332) | 535,402,320 |
| Capital work in progress | 207,455,782 | 147,328,341 | - | (94,008,880) | - | - | 260,775,243 |
| | 1,566,536,893 | 230,666,522 | (2,410,951) | | (48,875,685) | (2,252,452) | 1,743,664,327 |

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5. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2014

| | Opening balance | Additions | opening balance adjustment | Intergovernme ntal transfer | Transfers - WIP completed | Depreciation | Impairment loss | Total |
|---------------------------------------|----------------------|--------------------|-------------------------------|--------------------------------|------------------------------|-----------------------|--------------------|----------------------|
| Land | 479,054,303 | - | 30,151,345 | - | - | - | (6,401,375) | 502,804,273 |
| Buildings | 83,414,746 | 4,467,892 | 5,190,239 | - | - | (5,100,901) | - | 87,971,976 |
| Plant and machinery | 13,620,592 | 360,053 | 1,467,139 | - | - | (2,327,857) | - | 13,119,927 |
| Furniture and fixtures | 2,701,225 | 131,603 | 46,045 | - | - | (708,680) | - | 2,170,193 |
| Motor vehicles | 13,388,356 | 1,556,500 | (1,531,968) | - | - | (3,405,700) | - | 10,007,188 |
| IT equipment | 2,497,138 | 1,095,604 | 199,735 | - | - | (1,458,401) | - | 2,334,076 |
| Infrastructure - Electricity | 79,485,257 | 2,655,891 | 16,062,353 | - | - | (2,986,268) | - | 95,217,233 |
| Infrastructure - Roads and paving | 146,426,653 | - | 17,297,461 | - | - | (7,957,644) | (378,529) | 155,387,941 |
| Game | 9,489,891 | 2,038,200 | - | (1,901,422) | - | - | - | 9,626,669 |
| Infrastructure - Sewerage | 10,001,096 | - | (4,661,534) | - | - | (201,044) | - | 5,138,518 |
| Infrastructure - Solid waste disposal | 5,086,610 | 21,092,478 | (449,294) | - | - | (137,961) | - | 25,591,833 |
| Infrastructure - Water | 439,281,356 | 25,588,075 | 5,580,617 | - | 4,096,661 | (24,825,598) | (9,827) | 449,711,284 |
| Capital work in progress | 86,529,930 | 125,022,514 | - | - | (4,096,661) | - | - | 207,455,783 |
| | 1,370,977,153 | 184,008,810 | 69,352,138 | (1,901,422) | | - (49,110,054) | (6,789,731) | 1,566,536,894 |

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|--|--------------------|-------------------|
| 5. Property, plant and equipment (continued) | | |
| Impairment of assets | | |
| Buildings | 1,937,975 | - |
| Infrastructure - Roads and paving | 76,287 | 378,529 |
| Infrastructure - Water | 194,332 | 9,827 |
| Infrastructure_Electricity | 43,858 | - |
| Land | - | 6,401,375 |
| Pledged as security | | |
| No assets were pledged as security. | | |
| Assets subject to finance lease (Net carrying amount) | | |
| Details of properties | | |
| A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality. | | |
| 6. Inventories | | |
| Consumable stores | 525,260 | 730,175 |
| Water inventory | 279,535 | 167,269 |
| | 804,795 | 897,444 |
| 7. Receivables from exchange transactions | | |
| Interest receivable - Investments | 199,929 | 170,868 |
| 8. Receivables from non-exchange transactions | | |
| Provision for impairments - Rates | (7,261,855) | (12,234,863) |
| Rates | 101,039,621 | 60,453,489 |
| Traffic fines | 41,248,651 | 12,943,400 |
| Provision for impairment - Traffic fines | (33,803,757) | (10,253,509) |
| | 101,222,660 | 50,908,517 |
| Net rates | | |
| Current (0-30 days) | 9,368,158 | 5,045,110 |
| 31 - 60 days | 4,764,737 | 2,563,839 |
| 61 - 90 days | 4,477,537 | 2,381,413 |
| 91+ days | 78,400,036 | 38,227,010 |
| | 97,010,468 | 48,217,372 |
| Net traffic fines | | |
| | 7,444,894 | 2,689,891 |

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8. Receivables from non-exchange transactions (continued)

| 2015 - Summary of debtors by customer classification (Rates) | Residential | Industrial / commercial | National and provincial government | Schools, churches, Hospitals & Clinics and Handovers | Total |
|---|-------------------|-------------------------|------------------------------------|--|-------------------|
| Current | 2,363,163 | 4,934,932 | 1,312,252 | 757,811 | 9,368,158 |
| 31 - 60 days | 1,196,615 | 2,084,713 | 1,535,326 | 342,879 | 5,159,533 |
| 61 - 90 days | 924,104 | 2,104,664 | 1,694,519 | 125,250 | 4,848,536 |
| 90 + days | 8,527,059 | 56,104,861 | 17,552,227 | 2,711,950 | 84,896,096 |
| Less: Provisions for impairments | (954,173) | (4,491,992) | (1,526,562) | (289,128) | (7,261,855) |
| | 12,056,768 | 60,737,178 | 20,567,762 | 3,648,762 | 97,010,468 |
| 2014 - Summary of debtors by customer classification (Rates) | Residential | Industrial / commercial | National and provincial government | Schools, churches, Hospitals & Clinics and Handovers | Total |
| Current | 1,611,357 | 2,906,331 | 348,744 | 178,676 | 5,045,110 |
| 31 - 60 days | 884,716 | 1,811,233 | 401,620 | 192,853 | 3,290,422 |
| 61 - 90 days | 573,586 | 1,953,491 | 420,658 | 108,563 | 3,056,297 |
| 90 + days | 6,206,530 | 34,164,701 | 6,459,151 | 2,230,024 | 49,060,406 |
| Less: Provisions for impairments | (2,020,247) | (8,164,761) | (1,505,902) | (543,952) | (12,234,863) |
| | 7,255,942 | 32,670,995 | 6,124,271 | 2,166,164 | 48,217,372 |

Receivables from non-exchange transactions past due but not impaired

Other receivables from non-exchange transactions which are less than 1 months past due are not considered to be impaired. At 30 June 2015, R 9,368,158 (2014: R 5,045,110) were less than 1 month past due but not impaired.

Receivables from non-exchange transactions impaired

As of 30 June 2013, trade and other receivables from non-exchange transactions were impaired and provided for.

The amount of the provision was R (7,261,848) as of 30 June 2015 (2014: R (12,234,863)).

The ageing of these debtors are as follows:

| | | |
|---------------------------|-------------|--------------|
| 1 month past due | (394,796) | (726,583) |
| 2 and more month past due | (6,867,059) | (11,508,280) |

Reconciliation of provision for impairment of receivables from non-exchange transactions

| | | |
|----------------------------|--------------------|---------------------|
| Opening balance | (12,234,863) | (12,043,465) |
| Contributions to allowance | 4,973,008 | (191,398) |
| | (7,261,855) | (12,234,863) |

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|---|--------------------|--------------------|
| 9. VAT receivable | | |
| VAT | 25,260,519 | 32,403,171 |
| VAT is payable on the payment basis. Only once payment is received from debtors, the VAT portion of the receipt is paid over to SARS with input VAT only claimed when payment is made to creditors. | | |
| 10. Consumer debtors - exchange transactions | | |
| Gross balances | | |
| Electricity | 7,378,556 | 6,523,288 |
| Water | 4,512,218 | 3,400,316 |
| Sewerage | 1,094,298 | 972,333 |
| Refuse | 1,230,076 | 1,152,633 |
| Other | 14,111,264 | 11,229,688 |
| | 28,326,412 | 23,278,258 |
| Less: Allowance for impairment | | |
| Electricity | (513,866) | (1,320,241) |
| Water | (314,245) | (688,186) |
| Sewerage | (76,210) | (196,789) |
| Refuse | (85,666) | (233,280) |
| Other | (982,753) | (2,272,764) |
| | (1,972,740) | (4,711,260) |
| Net balance | | |
| Electricity | 6,864,690 | 5,203,047 |
| Water | 4,197,973 | 2,712,130 |
| Sewerage | 1,018,088 | 775,544 |
| Refuse | 1,144,410 | 919,353 |
| Other | 13,128,511 | 8,956,924 |
| | 26,353,672 | 18,566,998 |
| Net Electricity | | |
| Current (0 - 30 days) | 4,218,330 | 3,370,159 |
| 31 - 60 days | 582,971 | 538,695 |
| 61 - 90 days | 386,158 | 199,315 |
| 91+ days | 1,677,231 | 1,094,878 |
| | 6,864,690 | 5,203,047 |
| Net Water | | |
| Current (0 - 30 days) | 1,323,865 | 951,798 |
| 31 - 60 days | 607,656 | 313,138 |
| 61 - 90 days | 248,622 | 126,401 |
| 91+ days | 2,017,830 | 1,320,793 |
| | 4,197,973 | 2,712,130 |
| Net Sewerage | | |
| Current (0 - 30 days) | 320,965 | 294,434 |
| 31 - 60 days | 104,357 | 81,761 |
| 61 - 90 days | 67,648 | 53,196 |
| 90+ days | 525,118 | 346,153 |
| | 1,018,088 | 775,544 |

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|---|-------------------|-------------------|
| 10. Consumer debtors - exchange transactions (continued) | | |
| Net Refuse | | |
| Current (0 - 30 days) | 337,669 | 308,299 |
| 31 - 60 days | 105,156 | 76,958 |
| 61 - 90 days | 71,104 | 56,222 |
| 90+ days | 630,481 | 477,874 |
| | 1,144,410 | 919,353 |
| Net Other | | |
| Current (0 - 30 days) | 1,217,129 | 1,091,710 |
| 31 - 60 days | 719,098 | 629,911 |
| 61 - 90 days | 484,584 | 787,575 |
| 91+ days | 10,707,700 | 6,447,728 |
| | 13,128,511 | 8,956,924 |
| Summary of debtors by customer classification | | |
| Residential | | |
| Current | 1,871,216 | 1,921,578 |
| 31 - 60 days | 552,158 | 644,160 |
| 61 - 90 days | 269,731 | 316,510 |
| 91+ days | 1,718,795 | 1,667,325 |
| | 4,411,900 | 4,549,573 |
| Less: Allowance for impairment | (259,209) | (777,934) |
| | 4,152,691 | 3,771,639 |
| Industrial/ commercial | | |
| Current | 3,907,611 | 3,465,862 |
| 31 - 60 days | 961,956 | 1,318,756 |
| 61 - 90 days | 614,317 | 1,077,956 |
| 91+ days | 11,309,029 | 9,178,021 |
| | 16,792,913 | 15,040,595 |
| Less: Provision for bad debts | (1,220,286) | (3,143,993) |
| | 15,572,627 | 11,896,602 |
| National and provincial government | | |
| Current | 1,039,076 | 415,885 |
| 31 - 60 days | 708,450 | 292,419 |
| 61 - 90 days | 494,603 | 232,124 |
| 91+ days | 3,537,994 | 1,735,189 |
| | 5,780,123 | 2,675,617 |
| Less: Provision for bad debts | (414,703) | (579,876) |
| | 5,365,420 | 2,095,741 |
| Schools, Churches, Hospitals & Clinics and Handovers | | |
| Current | 600,055 | 213,076 |
| 31 - 60 days | 158,216 | 140,416 |
| 61 - 90 days | 36,558 | 59,905 |
| 91+ days | 546,646 | 599,075 |
| Less: Provision for bad debts | (78,545) | (209,459) |
| | 1,262,930 | 803,013 |

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|-----------------|------|------|
|-----------------|------|------|

10. Consumer debtors - exchange transactions (continued)

| | | |
|-------------------------------|-------------------|-------------------|
| Total | | |
| Current | 7,417,958 | 6,016,400 |
| 31 - 60 days | 2,380,780 | 2,395,752 |
| 61 - 90 days | 1,415,210 | 1,686,496 |
| 91+ days | 17,112,465 | 13,179,610 |
| | 28,326,413 | 23,278,258 |
| Less: Provision for bad debts | (1,972,741) | (4,711,260) |
| | 26,353,672 | 18,566,998 |

Provision for bad debts

| | | |
|--------------|--------------------|--------------------|
| 31 - 60 days | (261,543) | (755,289) |
| 61 - 90 days | (157,093) | (463,787) |
| 91+ days | (1,554,104) | (3,492,184) |
| | (1,972,740) | (4,711,260) |

Reconciliation of allowance for impairment

| | | |
|----------------------------------|--------------------|--------------------|
| Balance at beginning of the year | (4,711,260) | (4,713,390) |
| Contributions to allowance | 2,738,520 | 2,130 |
| | (1,972,740) | (4,711,260) |

Consumer debtors past due but not impaired

Receivables from exchange transactions which are less than 1 months past due are not considered to be impaired. At 30 June 2015, R 7,417,958 (2014: R 6,016,400) were less than 1 month past due but not impaired.

Consumer debtors impaired

As of 30 June 2015, consumer debtors were impaired and provided for.

The amount of the provision was R (1,972,741) as of 30 June 2015 (2014: R (4,711,261)).

| | | |
|----------------------------|-------------|-------------|
| 1 month past due | (261,544) | (755,289) |
| 2 and more months past due | (1,711,198) | (3,955,973) |

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11. Cash and cash equivalents

Cash and cash equivalents consist of:

| | | |
|---------------------|-------------------|------------------|
| Cash on hand | 2,000 | 2,000 |
| Bank balances | 33,112,337 | 3,416,251 |
| Short-term deposits | 5,000,000 | 5,000,000 |
| Bank overdraft | - | (4,433,376) |
| | 38,114,337 | 3,984,875 |
| Current assets | 38,114,336 | 8,418,250 |
| Current liabilities | - | (4,433,376) |
| | 38,114,336 | 3,984,874 |

Additional disclosure:

The municipality has a cession of R5,000,000.00 as security in respect of ABSA investment for the guarantees that have been issued to Eskom by Absa bank.

The remaining cash and cash equivalent balances held by the municipality is available for use by the municipality.

Short term fixed deposits

Short term fixed deposits consists of :

| | | | |
|---------------------------|--|-----------|-----------|
| ABSA - Account 2068718251 | | 5,000,000 | 5,000,000 |
|---------------------------|--|-----------|-----------|

The municipality had the following bank accounts

| Account number / description | Bank statement balances | | | Cash book balances | | |
|--|--------------------------|-------------------------|-------------------------|--------------------------|---------------------------|-------------------------|
| | 30 June 2015 | 30 June 2014 | 30 June 2013 | 30 June 2015 | 30 June 2014 | 30 June 2013 |
| ABSA BANK, Malelane branch - Primary Account - Account number 1650 000 087 | 33,285,412 | (503,883) | 2,734,595 | 32,979,241 | (4,433,374) | 537,162 |
| ABSA BANK, Malelane branch - MIG Account - Account number 4077034870 | 1,777 | 3,283,205 | 1,961,718 | 1,777 | 3,283,205 | 1,961,718 |
| ABSA BANK, Malelane branch - MIG Transfer Account - Account number 4080254392 | 131,086 | 19,450 | 8 | 131,086 | - | - |
| ABSA BANK - Trust Account - 4078501159 | 207 | 116,675 | 113,596 | 234 | 113,697 | 113,596 |
| Total | <u>33,418,482</u> | <u>2,915,447</u> | <u>4,809,917</u> | <u>33,112,338</u> | <u>(1,036,472)</u> | <u>2,612,476</u> |

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12. Intangible assets

| | 2015 | | | 2014 | | |
|-------------------|------------------|---|----------------|------------------|---|----------------|
| | Cost / Valuation | Accumulated amortisation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated amortisation and accumulated impairment | Carrying value |
| Computer software | 566,020 | (329,507) | 236,513 | 509,034 | (246,044) | 262,990 |

Reconciliation of intangible assets - 2015

| | Opening balance | Additions | Amortisation | Total |
|-------------------|-----------------|-----------|--------------|---------|
| Computer software | 262,990 | 56,986 | (83,463) | 236,513 |

Reconciliation of intangible assets - 2014

| | Opening balance | Additions | Prior period corrections | Amortisation | Total |
|-------------------|-----------------|-----------|--------------------------|--------------|---------|
| Computer software | 244,728 | 106,348 | (8,177) | (79,909) | 262,990 |

13. Heritage assets

| | 2015 | | | 2014 | | |
|----------------------|------------------|-------------------------------|----------------|------------------|-------------------------------|----------------|
| | Cost / Valuation | Accumulated impairment losses | Carrying value | Cost / Valuation | Accumulated impairment losses | Carrying value |
| Historical monuments | 2,812,819 | - | 2,812,819 | 2,812,819 | - | 2,812,819 |

Reconciliation of heritage assets 2015

| | Opening balance | Total |
|----------------------|-----------------|-----------|
| Historical monuments | 2,812,819 | 2,812,819 |

Reconciliation of heritage assets 2014

| | Opening balance | Total |
|----------------------|-----------------|-----------|
| Historical monuments | 2,812,819 | 2,812,819 |

Pledged as security

No heritage assets were pledged as security

Nkomazi Local Municipality

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14. Financial assets by category

The accounting policies for financial instruments have been applied to the line items below:

2015

| | At amortised cost | Total |
|--|----------------------|--------------------|
| Cash and cash equivalents | 38,114,336 | 38,114,336 |
| Deposits made | 9,015,835 | 9,015,835 |
| Trade and other receivables from exchange transactions | 26,553,601 | 26,553,601 |
| Trade and other receivables from non-exchange transactions | 101,222,660 | 101,222,660 |
| | 174,906,432 | 174,906,432 |

2014

| | At amortised cost | Total |
|--|----------------------|-------------------|
| Cash and cash equivalents | 8,398,800 | 8,398,800 |
| Deposits Made | 3,505,209 | 3,505,209 |
| Trade and other receivables from exchange transactions | 18,737,866 | 18,737,866 |
| Trade and other receivables from non-exchange transactions | 50,908,517 | 50,908,517 |
| | 81,550,392 | 81,550,392 |

15. Other financial liabilities

At amortised cost

| | | |
|---|-----------|-----------|
| Annuity loan - DBSA | 2,663,275 | 3,104,774 |
| These loans from DBSA bear interest between 13.4% and 17.5% per annum and are repayable in equal bi-annual repayments. Refer to Appendix A for more details on long-term liabilities. | | |

Long term borrowings have been utilised in accordance with the Municipal Finance Management Act.

Above borrowings from external parties were utilised in order to finance Property, Plant and Equipment.

There were no default on principal and interest repayments. None of the terms were renegotiated.

Non-current liabilities

| | | |
|-------------------|-----------|-----------|
| At amortised cost | 2,154,940 | 2,673,785 |
| <hr/> | | |

Current liabilities

| | | |
|-------------------|---------|---------|
| At amortised cost | 508,335 | 430,989 |
| <hr/> | | |

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| Figures in Rand | 2015 | 2014 |
|---|----------------|-------|
| 16. Finance lease obligation | | |
| Minimum lease payments due | | |
| - not later than one year | 476,245 | - |
| - later than one year and not later than five years | 216,475 | - |
| | <hr/> | <hr/> |
| Less: future finance charges | 692,720 | - |
| | (43,363) | - |
| | <hr/> | <hr/> |
| Present value of minimum lease payments | 649,357 | - |
| | <hr/> | <hr/> |
| Non-current liabilities | 211,558 | - |
| Current liabilities | 437,799 | - |
| | <hr/> | <hr/> |
| | 649,357 | - |
| | <hr/> | <hr/> |

The lease term is 2 years and the effective borrowing rate is 9.25%. Interest rates are fixed at the contract date. Obligations under finance leases are secured by the lessor's title to the leased asset.

Defaults and breaches

There were no default on principal and interest repayments. None of the terms and conditions were renegotiated.

17. Operating lease asset (accrual)

| | | |
|-------------------------|---------------|-----------------|
| Non-current assets | 129,931 | 139,221 |
| Current assets | 12,481 | 1,946 |
| Non-current liabilities | (56,811) | (48,421) |
| Current liabilities | (33,404) | (107,049) |
| | <hr/> | <hr/> |
| | 52,197 | (14,303) |
| | <hr/> | <hr/> |

Refer to note 45 for more details.

18. Deposits made

| | | |
|---------------------|------------------|------------------|
| Eskom - electricity | 9,015,835 | 3,505,209 |
| | <hr/> | <hr/> |
| | 9,015,835 | 3,505,209 |
| | <hr/> | <hr/> |

19. Trade and other payables from exchange transactions

| | | |
|---|--------------------|--------------------|
| Trade payables | 170,446,288 | 161,347,271 |
| Staff bonus accrual | 6,521,176 | 5,805,781 |
| Debtors with credit balances | 12,424,988 | 9,142,112 |
| Unallocated deposits | 79,326 | - |
| Salary suspense accounts - Third parties | 9,741,171 | 7,748,774 |
| Deposits received | 3,144,174 | 2,802,919 |
| Accrued interest payable on external borrowings | 109,559 | 127,735 |
| Other creditors | 161,764 | 58,200 |
| Retentions | 22,217,983 | 16,757,263 |
| | <hr/> | <hr/> |
| | 224,846,429 | 203,790,055 |
| | <hr/> | <hr/> |

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20. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

| | | |
|---|------------------|-------------------|
| Integrated National Electrification Grant | 2,305,648 | 1,699,350 |
| Water Services Operating Subsidy Grant | - | 4,265,012 |
| Municipal Water Infrastructure Grant | - | 10,711,567 |
| Rural Household Infrastructure Grant | 237,326 | 238,700 |
| | 2,542,974 | 16,914,629 |

Movement during the year

| | | |
|---|------------------|-------------------|
| Balance at the beginning of the year | 16,914,629 | 16,371,877 |
| Current-year receipts | 300,869,361 | 192,777,000 |
| Conditions met - transferred to revenue | (315,241,016) | (192,234,248) |
| | 2,542,974 | 16,914,629 |

See note 30 for reconciliation of grants from National/Provincial Government.

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21. Provisions

Reconciliation of provisions - 2015

| | Opening Balance | Additions | Reversed during the year | Interest charge | Total |
|------------------------------|-------------------|-------------------|--------------------------|------------------|-------------------|
| Landfill Site Provision | 21,335,274 | - | - | (903,426) | 20,431,848 |
| Performance Bonus Provision | 448,000 | 297,500 | (448,000) | - | 297,500 |
| Accumulated Leave Provision | 17,252,142 | 19,198,730 | (17,252,142) | - | 19,198,730 |
| Long Service Award Provision | 974,997 | 393,765 | (974,997) | - | 393,765 |
| | 40,010,413 | 19,889,995 | (18,675,139) | (903,426) | 40,321,843 |

Reconciliation of provisions - 2014

| | Opening Balance | Additions | Reversed during the year | Change in discount factor | Total |
|------------------------------|-------------------|-------------------|--------------------------|---------------------------|-------------------|
| Landfill Site Provision | - | 20,812,403 | - | 522,871 | 21,335,274 |
| Performance Bonus Provision | 334,259 | 448,000 | (334,259) | - | 448,000 |
| Accumulated Leave Provision | 11,284,133 | 17,252,142 | (11,284,133) | - | 17,252,142 |
| Long Service Award Provision | 121,694 | 974,997 | (121,694) | - | 974,997 |
| | 11,740,086 | 39,487,542 | (11,740,086) | 522,871 | 40,010,413 |
| Non-current liabilities | | | | 19,740,838 | 20,633,309 |
| Current liabilities | | | | 20,581,005 | 19,377,104 |
| | | | | 40,321,843 | 40,010,413 |

Landfill site provision has been created after Environmental & Sustainability Solutions (ESS), a specialist consultancy in environmental accounting, was appointed by the municipality to assist with the valuation of the required provision for the Hectorspruit, Marloth Park, Komatipoort and Kamaghekeza landfill for the reporting period to reflect best reliable estimate.

Performance bonuses are paid in arrears as the assessment of eligible employees had not taken place at the reporting date and no present obligation exist.

Employees are entitled to take at least 16 working days of his/her 24 annual leave of which at least 10 working Days shall be taken consecutively in respect of every completed year service and before the next year of service. The eight days may be accumulated to a maximum of 48 days.

Long service awards to eligible employees are paid for services rendered by employees of 5 years and longer in five year intervals. These employees are awarded proportionally every five years based on 5 days basic salary for 5 years service

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22. Employee benefit obligations

Defined contribution plan

It is the policy of the municipality to provide retirement benefits to all its employees [or specify number of employees covered]. A number of defined contribution provident funds, all of which are subject to the Pensions Fund Act exist for this purpose.

The municipality is under no obligation to cover any unfunded benefits.

Included in defined contribution plan information above, is the following plan(s) which is (are) a Multi-Employer Funds and is (are) a Defined Benefit Plans, but due to the fact that sufficient information is not available to enable the municipality to account for the plan(s) as a defined benefit plan(s). The municipality accounted for this (these) plan(s) as a defined contribution plan(s):

23. Trade payables from non-exchange transactions

The municipality has received money on behalf of family members which were involved in a train and truck accident.

| | | |
|---------------------------------|---|----------------|
| Family fund train accident fund | - | 113,596 |
| | - | 113,596 |

24. Financial liabilities by category

The accounting policies for financial instruments have been applied to the line items below:

2015

| | Financial liabilities at amortised cost | Total |
|---|---|--------------------|
| Other financial liabilities | 2,663,275 | 2,663,275 |
| Trade and other payables from exchange transactions | 224,846,429 | 224,846,429 |
| | 227,509,704 | 227,509,704 |

2014

| | Financial liabilities at amortised cost | Total |
|---|---|--------------------|
| Other financial liabilities | 3,104,773 | 3,104,773 |
| Trade and other payables from exchange transactions | 202,290,613 | 202,290,613 |
| Trade and other payables from non-exchange transactions | 113,596 | 113,596 |
| Bank overdraft | 4,433,374 | 4,433,374 |
| | 209,942,356 | 209,942,356 |

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|------------------------------------|--------------------|--------------------|
| 25. Revenue | | |
| Service charges | 101,120,350 | 76,852,213 |
| Rental of facilities and equipment | 3,342,089 | 3,393,272 |
| Interest earned - debtors | 3,628,707 | 5,220,039 |
| Agency services | 8,574,281 | 4,670,125 |
| Recoveries | 8,312,975 | 1,035,463 |
| Other income | 7,703,684 | 6,339,103 |
| Interest earned - external | 715,887 | 1,794,381 |
| Property rates | 102,301,495 | 64,117,325 |
| Government grants & subsidies | 648,503,631 | 483,860,819 |
| Public contributions and donations | 450,000 | 3,752,226 |
| Fines | 37,336,240 | 9,594,434 |
| Licences and permits | 13,420 | 19,295 |
| | 922,002,759 | 660,648,695 |

The amount included in revenue arising from exchanges of goods or services are as follows:

| | | |
|------------------------------------|--------------------|-------------------|
| Service charges | 101,120,350 | 76,852,213 |
| Rental of facilities and equipment | 3,342,089 | 3,393,272 |
| Interest earned - debtors | 3,628,707 | 5,220,039 |
| Agency services | 8,574,281 | 4,670,125 |
| Recoveries | 8,312,975 | 1,035,463 |
| Other income | 7,703,684 | 6,339,103 |
| Interest earned - external | 715,887 | 1,794,381 |
| | 133,397,973 | 99,304,596 |

The amount included in revenue arising from non-exchange transactions is as follows:

| | | |
|------------------------------------|--------------------|--------------------|
| Taxation revenue | | |
| Property rates | 102,301,495 | 64,117,325 |
| Transfer revenue | | |
| Government grants & subsidies | 648,503,631 | 483,860,819 |
| Public contributions and donations | 450,000 | 3,752,226 |
| Fines | 37,336,240 | 9,594,434 |
| Licences and permits | 13,420 | 19,295 |
| | 788,604,786 | 561,344,099 |

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26. Property rates

Rates received

| | | |
|--------------|--------------------|-------------------|
| Residential | 38,502,206 | 37,171,738 |
| Business | 19,856,908 | 15,833,371 |
| Government | 36,642,858 | 9,404,600 |
| Agricultural | 7,299,523 | 1,707,616 |
| | 102,301,495 | 64,117,325 |

Rates are levied on monthly basis and repayable in twelve equal payments with the final date of payment being the municipality's year end. Interest equal to the prime rate as determined by the South African Reserve bank per annum is levied on outstanding rates.

In cents

Assessment rates are levied as follows

| | | |
|-----------------------------|-----------|-----------|
| Vacant land | 4 | 4 |
| Residential | 1 | 1 |
| Business | 2 | 2 |
| State Owned | 3 | 3 |
| Industrial | 2 | 2 |
| Mining and Quarries | 3 | 3 |
| Farms - Commercial | 2 | 2 |
| Farms - Residential | 1 | 1 |
| Municipal properties | 2 | 2 |
| Private towns | 1 | 1 |
| Smallholdings - Commercial | 2 | 2 |
| Smallholdings - Residential | 1 | 1 |
| Informal settlements | 1 | 1 |
| Protected areas | 1 | 1 |
| National monuments | 1 | 1 |
| Multiple purpose | 1 | 1 |
| | 28 | 28 |

Valuations

| | | |
|-----------------------------------|-----------------------|----------------------|
| Residential | 4,307,029,629 | 3,755,591,490 |
| Business | 1,196,089,910 | 1,329,015,055 |
| Government | 1,636,074,203 | 284,922,118 |
| Municipal | 72,382,100 | 1,414,627 |
| Schools | - | 4,899,000 |
| Churches | 39,100,001 | 2,426,923 |
| Industrial | 19,570,500 | 8,197,786 |
| Agriculture | 3,384,122,843 | 1,574,840,187 |
| Other - Unimproved and industrial | 1,663,839,103 | 696,195,855 |
| | 12,318,208,289 | 7,657,503,041 |

Assessment rates are charged on the valuation roll done before demarcation.

Valuations on land are performed every four years and the last general valuation came into effect on the following dates:

- General valuations

1 July 2014

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|---|--------------------|-------------------|
| 27. Service charges | | |
| Sale of electricity | 75,832,090 | 55,892,236 |
| Sale of water | 15,942,477 | 12,385,237 |
| Sewerage and sanitation charges | 3,837,497 | 3,468,359 |
| Refuse removal | 5,508,286 | 5,106,381 |
| | 101,120,350 | 76,852,213 |
| 28. Rental of facilities and equipment | | |
| Facilities and equipment | | |
| Rental of facilities | 3,342,089 | 3,393,272 |
| 29. Interest earned - external | | |
| Interest earned - external | | |
| Bank | 97,369 | 652,531 |
| Investment | 618,518 | 1,141,850 |
| | 715,887 | 1,794,381 |

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30. Government grants and subsidies

| | | |
|--|--------------------|--------------------|
| Equitable share | 339,878,000 | 290,822,000 |
| Municipal Infrastructure Grant | 245,291,000 | 141,062,045 |
| Financial Management Grant | 1,600,000 | 1,550,000 |
| Municipal Systems Improvement Grant | 934,000 | 890,000 |
| Integrated National Electrification Grant | 8,393,703 | 19,000,060 |
| Expanded Public Works Programme | 5,451,000 | 7,535,767 |
| Water Services Operating and Subsidy Grant | 12,000,000 | 8,767,642 |
| Disaster Relief Grant | 22,093,361 | - |
| HIV Grant | 839,615 | 804,572 |
| Municipal Water Infrastructure Grant | 7,521,578 | 9,167,433 |
| Rural Household Infrastructure Grant | 4,501,374 | 4,261,300 |
| | 648,503,631 | 483,860,819 |

Equitable Share

In terms of the Division of Revenue Act, the annual equitable share allocated to the municipality is an unconditional grant. A portion of this grant is used to subsidise the provision of basic services to indigent community members in line with national policy.

Municipal Infrastructure Grant

| | | |
|---|---------------|---------------|
| Balance unspent at beginning of year | - | 9,415,869 |
| Current-year receipts | 245,291,000 | 131,421,000 |
| Conditions met - transferred to revenue | (245,291,000) | (140,836,869) |
| | - | - |

The grant is intended to provide capital finance for basic municipal infrastructure for poor households, micro enterprises and social institutions, to provide for new, rehabilitation and upgrading of municipal infrastructure and to eradicate the bucket sanitation system mainly in urban townships.

Financial Management Grant

| | | |
|---|-------------|-------------|
| Current year - receipts | 1,600,000 | 1,550,000 |
| Conditions met - transferred to revenue | (1,600,000) | (1,550,000) |
| | - | - |

This grant is intended to promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management Act (MFMA).

Expanded Public Works Programme

| | | |
|---|-------------|-------------|
| Balance unspent at beginning of year | - | 1,491,767 |
| Current-year receipts | 5,451,000 | 6,044,000 |
| Conditions met - transferred to revenue | (5,451,000) | (7,535,767) |
| | - | - |

This grant is intended to incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in different areas in compliance with the EPWP guidelines.

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30. Government grants and subsidies (continued)

Integrated National Electrification Grant

| | | |
|---|------------------|------------------|
| Balance unspent at beginning of year | 1,699,350 | 924,587 |
| Current-year receipts | 9,000,000 | 20,000,000 |
| Conditions met - transferred to revenue | (8,393,702) | (19,225,237) |
| | 2,305,648 | 1,699,350 |

This grant is intended to address the electrification backlog of occupied residential dwellings, and the installation of bulk infrastructure and rehabilitation and refurbishment of electricity infrastructure in order to improve quality of supply.

Water Services Operating Subsidy Grant

| | | |
|---|--------------|------------------|
| Balance unspent at beginning of year | 4,265,012 | 4,539,654 |
| Current-year receipts | 12,000,000 | 8,493,000 |
| Conditions met - transferred to revenue | (12,000,000) | (8,767,642) |
| Transfer out - Roll over not approved | (4,265,012) | - |
| | - | 4,265,012 |

This grant is intended to subsidise and build capacity in water schemes owned and / or operated by Department of Water Affairs (DWA) or by agencies on behalf of the department.

Municipal System Improvement Grant

| | | |
|---|-----------|-----------|
| Current-year receipts | 934,000 | 890,000 |
| Conditions met - transferred to revenue | (934,000) | (890,000) |
| | - | - |

This grant is intended to assist municipalities in building in-house capacity to perform their functions and stabilise institutional and governance systems as required in the Local Government Systems Act and related legislation and policies.

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

Municipal Water Infrastructure Grant

| | | |
|---|-------------|-------------------|
| Balance unspent at beginning of year | 10,711,567 | - |
| Current-year receipts | - | 19,879,000 |
| Conditions met - transferred to revenue | (7,521,579) | (9,167,433) |
| Transfer out - Roll over not approved | (3,189,988) | - |
| | - | 10,711,567 |

This grant is intended to facilitate the planning, acceleration and implementation of various projects that will ensure water supply to communities identified as not receiving a basic water supply service.

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30. Government grants and subsidies (continued)

Rural Household Infrastructure Grant

| | | |
|---|----------------|----------------|
| Balance unspent at beginning of year | 238,700 | - |
| Current-year receipts | 4,500,000 | 4,500,000 |
| Conditions met - transferred to revenue | (4,501,374) | (4,261,300) |
| | 237,326 | 238,700 |

This grant is intended to eradicate rural water and sanitation backlogs.

31. Public contributions and donations

| | | |
|------------------------------------|---------|-----------|
| Public contributions and donations | 450,000 | 3,752,226 |
|------------------------------------|---------|-----------|

The municipality received free transfer of movable and immovable asset that were created through Komatipoort Information Centre Project from department of tourism in 2014.

Furniture and office equipment - R52,226.38

Building - R3,700,000.00

32. Recoveries

| | | |
|------------------------------|------------------|------------------|
| Reduction in debt impairment | 7,711,528 | - |
| Legal fees recovered | 601,447 | 1,035,463 |
| | 8,312,975 | 1,035,463 |

33. Other income

| | | |
|-------------------------|------------------|------------------|
| Building Plan Fees | 798,653 | 615,036 |
| Entrance Fees | 1,196,538 | 1,137,402 |
| Fire Fighting Services | 9,039 | 5,106 |
| Library membership fees | 18,861 | 21,351 |
| Sale of Game | 45 | 855 |
| Search Fees | 1,136,659 | 643,657 |
| Seta Training Refund | 1,402,861 | 2,272,736 |
| Sundry | 2,620,267 | 950,422 |
| Tender documents | 520,761 | 692,538 |
| | 7,703,684 | 6,339,103 |

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|--|--------------------|--------------------|
| 34. Employee related costs | | |
| Salaries and wages | 139,566,123 | 129,337,939 |
| Medical aid and UIF contributions | 10,401,711 | 9,204,333 |
| Bonus | 11,519,221 | 10,475,057 |
| Overtime payments | 24,727,150 | 20,225,208 |
| Allowances | 9,621,575 | 8,929,679 |
| Housing benefits and other allowances | 2,705,812 | 2,363,718 |
| Pension fund contributions | 29,506,785 | 28,597,879 |
| Other employee related costs | 2,084,251 | 1,796,305 |
| Standby | 3,577,756 | 3,171,643 |
| Temporary employees | 9,747,466 | 13,250,812 |
| Subsistence and transport | 18,210,365 | 15,810,194 |
| | 261,668,215 | 243,162,767 |
| Remuneration of Municipal Manager - MD Ngwenya | | |
| Annual Remuneration | 980,000 | 1,002,050 |
| Travel, car and other allowances | 200,679 | 200,679 |
| Contributions to UIF, Medical and Pension Funds | 228,138 | 233,504 |
| | 1,408,817 | 1,436,233 |
| Remuneration of Chief Financial Officer - BT Khoza | | |
| Annual Remuneration | 845,702 | 858,150 |
| Travel, car and other allowances | 157,922 | 172,279 |
| Contributions to UIF, Medical and Pension Funds | 174,060 | 201,473 |
| | 1,177,684 | 1,231,902 |
| Remuneration of Acting Chief financial Officer - JW Mkhonto | | |
| Acting allowance | 41,776 | - |
| Remuneration of Director Technical Services - WM Nhlambo | | |
| Annual Remuneration | 669,514 | 769,570 |
| Travel, car and other allowances | 76,903 | 83,895 |
| Contributions to UIF, Medical and Pension Funds | 174,478 | 201,611 |
| | 920,895 | 1,055,076 |
| Remuneration of Acting Director Technical Services - EA Zitha | | |
| Acting allowance | 37,039 | - |
| Remuneration of Director Community Services - ES Mahlalela | | |
| Annual Remuneration | 665,000 | 718,594 |
| Travel, car and other allowances | 51,261 | 51,261 |
| Contributions to UIF, Medical and Pension Funds | 187,039 | 155,080 |
| | 903,300 | 924,935 |
| Remuneration of Director Planning and Development - DS Nkosi | | |
| Annual Remuneration | 665,000 | 728,549 |
| Travel, car and other allowances | 51,628 | 51,628 |

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|---|-------------------|-------------------|
| 34. Employee related costs (continued) | | |
| Contributions to UIF, Medical and Pension Funds | 195,950 | 163,880 |
| Acting allowance | 1,193 | - |
| | 913,771 | 944,057 |
| Remuneration of Director Corporate Services - SM Manzini | | |
| Annual Remuneration | 665,000 | 685,135 |
| Travel, car and other allowances | 134,979 | 134,979 |
| Contributions to UIF, Medical and Pension Funds | 155,399 | 161,640 |
| | 955,378 | 981,754 |
| 35. Remuneration of Councillors | | |
| Executive Mayor | 764,677 | 754,081 |
| Speaker | 615,708 | 588,927 |
| Chief Whip | 587,659 | 574,098 |
| Mayoral Committee Members | 2,923,494 | 2,832,185 |
| Councillors basic remuneration | 8,380,900 | 7,960,859 |
| Councillors' pension and other contributions | 2,236,663 | 1,961,093 |
| Councillors' Allowances | 4,782,478 | 4,465,270 |
| | 20,291,579 | 19,136,513 |
| Executive Mayor - TS Khoza | | |
| Annual Remuneration | 467,350 | 460,076 |
| Travel, car and other allowances | 197,707 | 188,193 |
| Contributions to pension fund and medical aid | 99,620 | 105,812 |
| | 764,677 | 754,081 |
| Speaker - KJ Macie | | |
| Annual Remuneration | 410,354 | 381,772 |
| Travel, car and other allowances | 143,801 | 149,889 |
| Contributions to pension fund and medical aid | 61,553 | 57,266 |
| | 615,708 | 588,927 |
| Chief - S Mabuza | | |
| Annual Remuneration | 340,795 | 341,021 |
| Travel, car and other allowances | 161,599 | 149,265 |
| Contributions to pension fund and medical aid | 85,265 | 83,812 |
| | 587,659 | 574,098 |
| Mayoral committee members | | |
| Annual Remuneration | 1,763,737 | 1,729,880 |
| Travel, car and other allowances | 774,632 | 736,568 |
| Contributions to pension fund and medical aid | 385,125 | 365,737 |
| | 2,923,494 | 2,832,185 |
| In-kind benefits | | |

The Executive Mayor, Speaker, Chief Whip and Mayoral Committee Members are full-time.
Each is provided with an office and secretarial support at the cost of the Council.

The Executive Mayor has use of a Council owned vehicle for official duties and has a full time bodyguard.

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|--|-------------------|-------------------|
| 36. Depreciation and amortisation | | |
| Property, plant and equipment | 48,875,685 | 49,110,057 |
| Investment property | 216,665 | - |
| Intangible assets | 83,464 | 79,910 |
| | 49,175,814 | 49,189,967 |
| 37. Impairment of assets | | |
| Impairments | | |
| Property, plant and equipment | 2,252,452 | 6,789,731 |
| The events and circumstances that led to the recognition of the impairment of assets was evidence of damage and cost that is significantly higher than fair value due to value determined in 2008 where historical cost information was not available. The recoverable amount or [recoverable service amount] of the asset was based on its fair value less costs to sell . | | |
| The main classes of assets affected by impairment losses are: | | |
| Buildings | | |
| Infrastructure - Roads & paving | | |
| Infrastructure - Electricity | | |
| Infrastructure - Water | | |
| Land | | |
| Fair value less cost to sell | | |
| Fair value less costs to sell is based on the best information available to reflect the amount that an entity could obtain, at reporting date, from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal. In determining this amount, an entity could consider the outcome of recent transactions for similar assets within the same industry. Fair value less costs to sell does not reflect a forced sale, unless management is compelled to sell immediately. | | |
| 38. Finance costs | | |
| Interest paid | 3,531,357 | 1,630,238 |
| Finance leases | 50,402 | 31,149 |
| Non-current borrowings | 490,212 | 683,970 |
| | 4,071,971 | 2,345,357 |
| 39. Debt impairment | | |
| Contributions to debt impairment provision | 23,820,882 | 6,935,441 |
| Bad debts written off | - | 3,334,516 |
| | 23,820,882 | 10,269,957 |
| 40. Contracted services | | |
| FMS Support Services | 11,222,411 | 4,059,600 |
| Security | 22,260,156 | 18,027,491 |
| Transport of Money | 366,544 | 353,108 |
| Fleet Management | 1,657,086 | 826,245 |
| | 35,506,197 | 23,266,444 |

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|---|--------------------|--------------------|
| 40. Contracted services (continued) | | |
| 41. Bulk purchases | | |
| Electricity | 58,945,480 | 56,042,272 |
| Water | 1,331,897 | 2,117,068 |
| | 60,277,377 | 58,159,340 |
| 42. General expenses | | |
| Advertising | 964,513 | 998,574 |
| Auditors remuneration | 3,115,513 | 3,708,140 |
| Bank charges | 1,111,140 | 1,339,794 |
| Chemicals | 16,573,330 | 13,561,688 |
| Cleaning Material | 173,614 | 270,267 |
| Conferences | 120,907 | 190,162 |
| Consulting and professional fees | 5,568,945 | 13,971,295 |
| Data cleansing | 1,953,749 | 729,800 |
| Debt collection commission | 6,037,650 | 1,034,642 |
| Disaster Management | 23,500,483 | 16,921,559 |
| Electricity consumption | 18,481,447 | 24,627,328 |
| Entertainment | 433,909 | 352,476 |
| Fuel and Oil | 10,493,005 | 11,912,890 |
| GIS Shared services | 5,000 | 250,000 |
| IT systems | 4,730,098 | 4,451,016 |
| Insurance | 939,352 | 4,814 |
| License fees | 2,814 | 26,057 |
| Long-term development plans | - | 3,334,001 |
| Mayoral outreach | 217,010 | 109,329 |
| Municipal services | 9,678,477 | 10,701,759 |
| Networks and substations | 1,019,606 | 874,440 |
| New Connections | 17,877,171 | 3,328,141 |
| Occupational Health and Safety | - | 86,711 |
| Other expenses | 452,695 | 617,636 |
| Pest control | 12,511 | - |
| Postage and courier | 147,816 | 216,777 |
| Printing and stationery | 1,195,937 | 1,383,356 |
| Projects | 23,182,765 | 21,487,946 |
| Public Permits Staff | 8,256 | 8,426 |
| Refuse bags and holders | 412,456 | 340,090 |
| Rental of property and equipment | 5,845,694 | 8,508,017 |
| Sport Events | 592,065 | 503,392 |
| Stock and Material | 872,909 | 1,113,990 |
| Student financial aid support | 230,952 | 40,580 |
| Subscriptions and membership Fees | 2,239,891 | 468,464 |
| System development and support | 240,396 | 381,100 |
| Telephone and fax | 2,191,313 | 2,617,097 |
| Tollgate Fees | 234,041 | 146,161 |
| Town planning and township establishment fees | 842,417 | 2,512,335 |
| Traditional council | 18,000 | 96,080 |
| Training | 3,653,418 | 3,460,114 |
| Transvesal unit | - | 680,244 |
| Travel and accommodation - Local | 3,851,967 | 2,428,484 |
| Uniforms | 608,280 | 1,730,618 |
| Valuation roll | 332,775 | 1,262,531 |
| Ward Committees | 82,650 | 538,965 |
| Water Quality Monitoring | 2,008,470 | 2,506,400 |
| | 172,255,407 | 165,833,686 |

Nkomazi Local Municipality

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|---|--------------------|--------------------|
| 43. Auditors' remuneration | | |
| Fees | 3,115,513 | 3,708,140 |
| 44. Cash generated from operations | | |
| Surplus | 260,395,032 | 45,160,730 |
| Adjustments for: | | |
| Depreciation and amortisation | 49,175,813 | 49,189,967 |
| Loss on disposal of game assets | 2,318,451 | (136,778) |
| Finance costs - Finance leases | 50,402 | 31,149 |
| Impairment loss | 2,252,452 | 6,789,731 |
| Bad debt provision | 23,820,882 | 10,269,957 |
| Movements in operating lease assets and accruals | (66,501) | 21,366 |
| Movements in provisions | 311,430 | 28,270,327 |
| Other non-cash items (clearing of old bank recon items) | - | 8,275 |
| Prior period errors | - | 80,089,052 |
| Changes in working capital: | | |
| Increase / (decrease) in inventories | 92,649 | 123,900 |
| Receivables from exchange transaction | (29,061) | (11,142) |
| Consumer debtors - exchange transactions | (31,607,556) | (12,899,915) |
| Receivables from non-exchange transactions | (50,314,143) | (17,483,152) |
| Trade and other payables from exchange transactions | 21,056,389 | 90,867,503 |
| VAT | 7,142,652 | (21,078,009) |
| Unspent conditional grants and receipts | (14,371,655) | 542,752 |
| | 270,227,236 | 259,755,713 |

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45. Commitments

Authorised capital expenditure

Approved and already contracted for but not provided for

| | | |
|---------------------------------|--------------------|--------------------|
| • Property, plant and equipment | 3,375,991 | 3,596,265 |
| • Infrastructure | 96,970,066 | 138,491,615 |
| • Other services | 11,890,915 | 10,276,431 |
| | 112,236,972 | 152,364,311 |

Total capital commitments

| | | |
|---|-------------|-------------|
| Already contracted for but not provided for | 112,236,972 | 152,364,311 |
|---|-------------|-------------|

This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc.

Funding sources

This expenditure will be financed from:

| | | |
|-------------------------------|--------------------|--------------------|
| - Government and Other Grants | 106,472,493 | 142,511,603 |
| - Revenue and equitable share | 5,764,480 | 9,852,708 |
| | 112,236,973 | 152,364,311 |

Operating leases - as lessee (expense)

Minimum lease payments due

| | | |
|---|------------------|------------------|
| - not later than one year | 1,740,202 | 2,784,926 |
| - later than one year and not later than five years | 917,757 | 1,005,996 |
| | 2,657,959 | 3,790,922 |

Operating lease payments represent rentals payable by the municipality for certain of its properties. Leases are negotiated for an average term of three years to five years and rentals escalated by 10% per annum. No contingent rent is payable.

Operating leases - as lessor (income)

Minimum lease payments due

| | | |
|-------------------------------------|------------------|------------------|
| - within one year | 416,848 | 209,821 |
| - in second to fifth year inclusive | 887,880 | 727,947 |
| - later than five years | 2,382 | 130,606 |
| | 1,307,110 | 1,068,374 |

Operating lease payments represent rentals receivable by the municipality for certain of its properties. Leases are negotiated for up to maximum term of 9 years 11 months and rental escalates between 0% to 10% per annum. No contingent rent is receivable.

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46. Contingencies

Contingent liabilities

A Lubbe - Claim of R109,626.64 against unfair dismissal which might result in a possible loss of R300,000.00.

IMATU O.B.O L Lubisi - Claim of R120,270.00 for travel allowance.

Tarfix - Claim for retention money amounting to R2,679,068.48.

SM Shabangu - challenge againsts alleged unfair dismissal and anticipated costs claim of R1,020,000.00

Claim from Silinda Mokoena & Associates (Valuer) case no 64255/09 claims R1,264,063 for work done on the valuation roll for the municipality.

Matsamo cultural park - Claim for suffered damages caused by fire amounting to R1,500,000.00.

Maximum profit recovery - Claim for a breach of contract on VAT for an amount of R6,614,932.91.

Employee related cost - The municipality has incorrectly implemented the 2010 South African Local Bargaining Council salary and wage collective agreement and this results in a probable contingent liability of R621,682.

Telkom SA Limited - Claim for damages for an amount of R59,346.17

Contingent assets

The municipality lodged a counter claim of R10,855,225.17 against Silinda Mokoena & Associates (Valuer) case no 64255/09, because the valuation roll was incorrect and the Valuer failed to make corrections as requested by the municipality. The municipality lodged its claim because it is losing possible revenue due to the incorrectness of the valuation roll.

Valor IT - Claim for recovery of amount paid to Valor IT to the value of R6,300,000.00 for breach of contract.

SM Shabangu - Claim for recovery of unauthorised expenditure amounting to R3,248,996.39

Employee related cost -The municipality has incorrectly implemented the 2010 South African Local Bargaining Council Categorisation and job evaluation wage curves collective agreement. The municipality moved from Post Level salary scale over to the Task Level salary scale. The municipality has not yet performed Job evaluations and the extent of the contingent assets is unknown until investigations are performed.

47. Related parties

Relationships

| | |
|--|---|
| Business entity of a spouse of employee with significant influence | Cicam Project Agency |
| Business entities of municipal employees | Bilani Security (P Shongwe) |
| Business entity that has partnership with employee of key management personnel | Bay City Trading 337 |
| Post employment benefit plan for employees of municipality | Refer to Note on Employee Retirement Benefit Plans |
| Remuneration of key management personnel | Refer to note on compensation to Municipal Manager, Chief Financial Officer, Executive Directors, Mayoral Committee and Other Councillors |

Related party balances

Related party transactions

Purchases from (sales to) related parties

| | | |
|----------------------|---------|-----------|
| Cicam Project Agency | 53,557 | 1,394,222 |
| Bay City Trading 337 | 199,487 | 1,752,449 |

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48. Prior period errors

Property, plant and equipment were reclassified to the correct classes. Immovable assets that were not on the asset register is recognised on the asset register. Movable assets that were written off in prior periods were verified during 2015 asset verification and brought back to the asset register. Accumulated depreciation for prior period that was incorrectly calculated was recalculated and corrected.

Recording of operating lease agreement that was excluded.

Correction of prior period salary suspense for third party payments which were not reconciled.

Correction of prior period creditors control account transactions that was not finalised at previous year ends.

Recording of traffic fines cash book account opening balance.

The correction of the error(s) results in adjustments as follows:

Statement of financial position

| | | |
|---|---|-------------|
| Accumulated surplus | - | 78,034,593 |
| Traffic cash book account | - | 19,450 |
| Operating lease asset | - | 39,049 |
| Trade and other payables_salary suspense | - | (1,615,702) |
| Infrastructure_water_cost | - | 9,827 |
| Accum dep_Infra_water | - | (9,827) |
| Trade and other payables_creditors control | - | 116,274 |
| Infrastructure water_cost | - | 5,580,617 |
| Infrastructure sewer_cost | - | (5,367,968) |
| Infrastructure solid waste_cost | - | (212,649) |
| Plant and Machinery_cost | - | 186,394 |
| Furniture and office equipment_cost | - | 45,164 |
| Motor vehicles_cost | - | 192,731 |
| IT Equipment_cost | - | 16,992 |
| Buildings_accumulated depreciation | - | 8,942,240 |
| Roads_accumulated depreciation | - | 17,297,461 |
| Sewer_accumulated depreciation | - | 706,434 |
| Electricity_accumulated depreciation | - | 1,174,208 |
| Water_accumulated depreciation | - | 14,888,145 |
| Solid waste_accumulated depreciation | - | (236,645) |
| Furniture and office equipment_accumulated depreciation | - | 881 |
| Machinery and equipment_accumulated depreciation | - | 1,280,745 |
| Computer equipment_accumulated depreciation | - | 182,744 |
| Motor vehicles_accumulated depreciation | - | (1,724,698) |
| Intangible assets_accumulated depreciation | - | (8,176) |
| Investment property_accumulated depreciation | - | (1,430,164) |
| Land_cost | - | 37,966,100 |
| Land_cost | - | (8,364,755) |
| Investment property_cost | - | 8,364,755 |
| Buildings_cost | - | (3,752,001) |
| Investment property_cost | - | 3,752,001 |

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49. Risk management

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

| | Less than 1 year | Between 1 and 2 years | Between 2 and 5 years | Over 5 years |
|--------------------------|---------------------|--------------------------|--------------------------|--------------|
| At 30 June 2015 | | | | |
| Borrowings | 508,335 | 2,154,940 | - | - |
| Trade and other payables | 224,846,429 | - | - | - |
| At 30 June 2014 | | | | |
| Borrowings | 430,989 | 2,673,785 | - | - |
| Trade and other payables | 202,290,613 | - | - | - |
| Bank overdraft | 4,433,374 | - | - | - |

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

Credit risk

Credit Risk consists mainly of cash deposits, cash equivalents and consumer debtors. The municipality only deposits cash with major banks. Credit Risk related to consumer debtors is managed in accordance with the Council's credit control and debt collection policy. The Council's credit exposure is spread over a large number and wide variety of consumers, and is not concentrated in any particular sector or geographical area. Adequate provision has been made for anticipated bad and doubtful debts.

| Financial instrument | 2015 | 2014 |
|---|-------------|------------|
| Cash and cash equivalents | 38,114,336 | 8,398,800 |
| Receivable from non-exchange transactions | 101,222,660 | 50,908,517 |
| Receivable from exchange transactions | 26,553,601 | 18,737,866 |
| Deposits made | 9,015,835 | 3,505,209 |

50. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

51. Unauthorised expenditure

| | | |
|--|--------------------|-------------------|
| Unauthorised expenditure - Opening balance | 72,757,247 | 36,906,702 |
| Unauthorised expenditure - Current year | 186,661,891 | 118,723,887 |
| Unauthorised expenditure - Condoned by Council | - | (82,873,342) |
| | 259,419,138 | 72,757,247 |

Unauthorised expenditure is as a result of overspending of the budget of the municipality which caused the operational expenditure or capital expenditure incurred during the financial year to exceed the amount appropriated in the budget. The unauthorised expenditure of R259,419,138 is awaiting for authorisation. The unauthorised expenditure is irrecoverable.

Nkomazi Local Municipality

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| Figures in Rand | 2015 | 2014 |
|--|------------------|----------------|
| 52. Fruitless and wasteful expenditure | | |
| Fruitless and wasteful expenditure - Opening balance | 114,583 | 2,082,215 |
| Fruitless and wasteful expenditure - Other: Current year | 4,120,861 | 1,100,882 |
| Telkom interest | - | 6,486 |
| | - | (3,075,000) |
| | 4,235,444 | 114,583 |

Fruitless and wasteful expenditure is as a result of interest charged by suppliers due to late payments. Fruitless and wasteful expenditure of R4,235,444 is awaiting for authorisation. The fruitless and wasteful expenditure is irrecoverable.

53. Irregular expenditure

| | | |
|---|--------------------|--------------------|
| Irregular expenditure - Opening balance | 133,185,505 | 76,955,732 |
| Irregular expenditure - Current year | - | 56,229,773 |
| | 133,185,505 | 133,185,505 |

Irregular expenditure is as a result of expenditure incurred by the municipality that is not in accordance with, a requirement of the supply chain management policy. Irregular expenditure of R133,185,505 is awaiting to be submitted for authorisation. The municipality is investigating possible instances of irregular expenditure which has not been included in the amount disclosed above. The full extent of irregularity would only be known at the conclusion of these investigations. The amount disclosed above may change based on the outcome of these investigations.

54. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

| | | |
|-----------------------------|---------------|---------------|
| Opening balance | 11,747 | 11,020 |
| Current year membership fee | 155,822 | 140,538 |
| Amount paid - current year | (154,524) | (139,811) |
| Due and payable | 13,045 | 11,747 |

Non-compliance with applicable legislation

MFMA: Section 65(e) and Section 99(2)(b)

All invoices are not paid within 30 days as required by section 65(e).

Audit fees

| | | |
|----------------------------|----------------|----------------|
| Opening balance | 449,248 | - |
| Current year fee | 3,159,329 | 3,196,294 |
| Amount paid - current year | (3,158,302) | (2,747,046) |
| Due and payable | 450,275 | 449,248 |

PAYE and UIF

| | | |
|---|------------------|----------------|
| Opening balance | 213,171 | 2,036,715 |
| Current year deductions and contributions | 29,846,838 | 27,443,881 |
| Amount paid - current year | (27,499,329) | (29,267,425) |
| | 2,560,680 | 213,171 |

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| Figures in Rand | 2015 | 2014 |
|---|------------------|------------------|
| 54. Additional disclosure in terms of Municipal Finance Management Act (continued) | | |
| Pension and Medical Aid Deductions | | |
| Opening balance | 4,503,598 | 3,995,651 |
| Current year deductions and contributions | 58,557,901 | 54,460,307 |
| Amount paid - current year | (58,042,903) | (53,952,360) |
| | 5,018,596 | 4,503,598 |

VAT

| | | |
|----------------|------------|------------|
| VAT receivable | 25,260,519 | 32,403,171 |
|----------------|------------|------------|

VAT output payables and VAT input receivables are shown in note 9.

Councillors' arrear consumer accounts

There are no councillors that had arrear accounts outstanding for more than 30 days at 30 June 2015:

Deviations

Incident

| | | |
|------------------------------|-------------|----------------|
| Deviations - Opening balance | 218,401 | 937,332 |
| Deviations - current year | 2,584,630 | 25,780,892 |
| Deviations noted by council | (2,803,031) | (26,499,823) |
| | - | 218,401 |

Nkomazi Local Municipality

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55. Distribution losses

| Water | Year | Kilo litres pumped | Kilo litres sold | Loss in kilo litres | Loss in percentage |
|-------|--------------|--------------------|------------------|---------------------|--------------------|
| | 30 June 2015 | 14,332,575 | 1,855,463 | 12,477,112 | 87% |
| | 30 June 2014 | 20,856,947 | 2,109,575 | 18,747,372 | 90% |

The total loss of 12,477,112 (2014: 18,747,372) kilo litres includes straight losses of 10,956,132 (2014: 18,389,516) kilo litres distributed to rural areas where the municipality does not collect any revenue for water.

Water distribution loss calculated value amounts to R62,136,019 (2014: R84,792,878).

| Electricity | Year | Units purchased | Units sold | Loss in units | Loss in percentage |
|-------------|--------------|-----------------|------------|---------------|--------------------|
| | 30 June 2015 | 74,195,409 | 55,488,725 | 18,706,684 | 25% |
| | 30 June 2014 | 73,311,322 | 49,847,844 | 23,463,478 | 32% |

Electricity distribution loss calculated value amounts to R20,328,553 (2014: R24,167,382).

Nkomazi Local Municipality

Appendix A

June 2015

Schedule of external loans as at 30 June 2015

| | Loan Number | Redeemable | Balance at 30 June 2014 | Received during the period | Redeemed written off during the period | Balance at 30 June 2015 | Carrying Value of Property, Plant & Equip | Other Costs in accordance with the MFMA |
|---|-------------|------------|-------------------------|----------------------------|--|-------------------------|---|---|
| | | | | | | | | |
| Development Bank of South Africa | | | | | | | | |
| Loan @ 16.5% (Upgrading of Malelane Infrastructure) | 61003108 | 2019 | 3,232,478 | - | 459,644 | 2,772,834 | - | - |
| Loan @ 15.26% | 61002393 | 2012 | | 15 | - | - | 15 | - |
| | | | <u>3,232,493</u> | <u>-</u> | <u>459,644</u> | <u>2,772,849</u> | <u>-</u> | <u>-</u> |
| INCA loan | | | | | | | | |
| Lease liability | | | | | | | | |
| Total external loans | | | | | | | | |
| Development Bank of South Africa | | | <u>3,232,493</u> | <u>-</u> | <u>459,644</u> | <u>2,772,849</u> | <u>-</u> | <u>-</u> |
| | | | <u>3,232,493</u> | <u>-</u> | <u>459,644</u> | <u>2,772,849</u> | <u>-</u> | <u>-</u> |

Nkomazi Local Municipality

Appendix B

June 2015

Analysis of property, plant and equipment as at 30 June 2015

| Cost | Accumulated depreciation |
|------|--------------------------|
|------|--------------------------|

| | Opening Balance | Additions | Donations | Transfers - WIP completed | Disposals | Closing Balance | Opening Balance | Write off | Impairment loss | Depreciation | Closing Balance | Carrying value |
|---------------------------------|----------------------|--------------------|-----------|---------------------------|--------------------|----------------------|----------------------|-----------|-----------------|---------------------|----------------------|----------------------|
| | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand |
| Land and buildings | | | | | | | | | | | | |
| Land | 473,202,928 | | | | | 473,202,928 | | | | | 473,202,928 | |
| Buildings | 111,360,242 | 2,674,609 | - | 9,672,867 | - | 123,707,718 | (23,388,268) | - | - | (4,400,207) | (27,788,475) | 95,919,243 |
| Work in progress_buildings | 13,354,772 | 2,125,155 | - | (9,672,867) | - | 5,807,060 | - | - | - | - | - | 5,807,060 |
| | 597,917,942 | 4,799,764 | - | - | - | 602,717,706 | (40,921,828) | - | - | (7,646,868) | (48,568,696) | 554,149,010 |
| Infrastructure | | | | | | | | | | | | |
| Main: Roads and stormwater | 199,608,934 | 4,165,058 | - | 24,969,588 | - | 228,743,580 | (44,220,902) | - | - | (9,474,489) | (53,695,391) | 175,048,189 |
| Sewerage mains & purification | 5,611,936 | 122,205 | - | 3,438,671 | - | 9,172,812 | (473,419) | - | - | (164,174) | (637,593) | 8,535,219 |
| Main: Electricity | 94,011,542 | 9,298,385 | - | 8,065,175 | - | 111,375,102 | (13,682,719) | - | - | (3,171,692) | (16,854,411) | 94,520,691 |
| Main: Water and purification | 581,654,316 | 133,023,339 | - | 54,086,834 | - | 768,764,489 | (117,054,883) | - | - | (25,745,916) | (142,800,799) | 625,963,690 |
| Solid waste | 26,301,893 | 1,095,875 | - | 3,906,633 | - | 31,304,401 | (710,075) | - | - | (613,989) | (1,324,064) | 29,980,337 |
| Work in progress_Infrastructure | 194,101,012 | 76,556,159 | - | (94,466,901) | - | 176,190,270 | - | - | - | - | - | 176,190,270 |
| | 1,101,289,633 | 224,261,021 | - | - | - | 1,325,550,654 | (176,141,998) | - | - | (39,170,260) | (215,312,258) | 1,110,238,396 |
| Other Assets | | | | | | | | | | | | |
| Furniture and office equipment | 7,855,843 | 15,439 | - | - | - | 7,871,282 | (5,684,208) | - | - | (636,017) | (6,320,225) | 1,551,057 |
| Machinery and equipment | 23,847,054 | 1,226,181 | - | - | - | 25,073,235 | (10,727,125) | - | - | (2,128,038) | (12,855,163) | 12,218,072 |
| Computer equipment | 6,505,541 | 271,632 | - | - | - | 6,777,173 | (4,169,699) | - | - | (692,444) | (4,862,143) | 1,915,030 |
| Transport assets | 36,315,648 | - | - | - | - | 36,315,648 | (26,308,455) | - | - | (2,748,074) | (29,056,529) | 7,259,119 |
| Game | 9,626,670 | 92,501 | - | - | (2,410,951) | 7,308,220 | - | - | - | - | - | 7,308,220 |
| | 84,150,756 | 1,605,753 | - | - | (2,410,951) | 83,345,558 | (46,889,487) | - | - | (6,204,573) | (53,094,060) | 30,251,498 |

Nkomazi Local Municipality

Appendix B

June 2015

Analysis of property, plant and equipment as at 30 June 2015

| Cost | Accumulated depreciation |
|------|--------------------------|
|------|--------------------------|

| | Opening Balance | Additions | Donations | Transfers - WIP completed | Disposals | Closing Balance | Opening Balance | Write off | Impairment loss | Depreciation | Closing Balance | Carrying value |
|------------------------------------|----------------------|--------------------|-----------|---------------------------|-------------|----------------------|------------------|-----------|-----------------|-----------------|------------------|----------------------|
| | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand |
| Heritage assets | | | | | | | | | | | | |
| Historical Assets | 2,812,819 | - | - | - | - | 2,812,819 | - | - | - | - | - | 2,812,819 |
| | 2,812,819 | - | - | - | - | 2,812,819 | - | - | - | - | - | 2,812,819 |
| Investment Property | | | | | | | | | | | | |
| Investment property | 34,386,799 | - | - | - | - | 34,386,799 | - | - | - | - | - | 34,386,799 |
| | 34,386,799 | - | - | - | - | 34,386,799 | - | - | - | - | - | 34,386,799 |
| Intangible Assets | | | | | | | | | | | | |
| Computer software | 509,034 | 56,986 | - | - | - | 566,020 | (246,043) | - | - | (83,464) | (329,507) | 236,513 |
| | 509,034 | 56,986 | - | - | - | 566,020 | (246,043) | - | - | (83,464) | (329,507) | 236,513 |
| Total property plant and equipment | 1,821,066,983 | 230,723,524 | - | - | (2,410,951) | 2,049,379,556 | (264,199,356) | - | - | (53,105,165) | (317,304,521) | 1,732,075,035 |
| Intangible assets | | | | | | | | | | | | |
| Investment properties | | | | | | | | | | | | |
| Total | | | | | | | | | | | | |
| Land and buildings | 597,917,942 | 4,799,764 | - | - | - | 602,717,706 | (40,921,828) | - | - | (7,646,868) | (48,568,696) | 554,149,010 |
| Infrastructure | 1,101,289,633 | 224,261,021 | - | - | - | 1,325,550,654 | (176,141,998) | - | - | (39,170,260) | (215,312,258) | 1,110,238,396 |
| Other Assets | 84,150,756 | 1,605,753 | - | - | (2,410,951) | 83,345,558 | (46,889,487) | - | - | (6,204,573) | (53,094,060) | 30,251,498 |
| Heritage assets | 2,812,819 | - | - | - | - | 2,812,819 | - | - | - | - | - | 2,812,819 |
| Investment Property | 34,386,799 | - | - | - | - | 34,386,799 | - | - | - | - | - | 34,386,799 |
| Intangible Assets | 509,034 | 56,986 | - | - | - | 566,020 | (246,043) | - | - | (83,464) | (329,507) | 236,513 |
| | 1,821,066,983 | 230,723,524 | - | - | (2,410,951) | 2,049,379,556 | (264,202,599) | - | - | (53,105,165) | (317,307,764) | 1,732,071,792 |

Appendix D

June 2015

Segmental Statement of Financial Performance for the year ended 30 June 2015 Prior Year Current Year

| Actual Income Rand | Actual Expenditure Rand | Surplus / (Deficit) Rand | Actual Income Rand | Actual Expenditure Rand | Surplus / (Deficit) Rand | |
|----------------------|-------------------------|--------------------------|--|-------------------------|--------------------------|--------------------|
| Municipality | | | | | | |
| 7,535,767 | 47,402,797 | (39,867,030) | Executive & Council/Mayor and Council | 5,451,000 | 45,899,704 | (40,448,704) |
| 211,873,469 | 77,280,866 | 134,592,603 | Finance & Admin/Finance | 276,714,110 | 104,180,390 | 172,533,720 |
| 4,837,674 | 19,510,442 | (14,672,768) | Planning and Development/Economic Development/Plan | 1,430,745 | 15,232,949 | (13,802,204) |
| 7,209,287 | 55,420,578 | (48,211,291) | Corporate services | 5,346,397 | 43,258,032 | (37,911,635) |
| 44,823,360 | 121,734,809 | (76,911,449) | Comm. & Social/Libraries and archives | 102,231,571 | 141,457,118 | (39,225,547) |
| 4,057,683 | 15,028,426 | (10,970,743) | Civil administration & PMU | 4,836,693 | 12,464,920 | (7,628,227) |
| 7,729,659 | 21,367,347 | (13,637,688) | Waste Water Management/Sewerage | 8,339,968 | 22,925,686 | (14,585,718) |
| 64,275 | 30,886,479 | (30,822,204) | Road Transport/Roads | 12,771 | 34,979,085 | (34,966,314) |
| 253,913,527 | 129,741,444 | 124,172,083 | Water/Water Distribution | 383,100,263 | 126,912,241 | 256,188,022 |
| 118,740,772 | 97,251,555 | 21,489,217 | Electricity /Electricity Distribution | 134,539,243 | 111,964,284 | 22,574,959 |
| 660,785,473 | 615,624,743 | 45,160,730 | | 922,002,761 | 659,274,409 | 262,728,352 |
| Other charges | | | | | | |
| 660,785,473 | 615,624,743 | 45,160,730 | Municipality | 922,002,761 | 659,274,409 | 262,728,352 |
| 660,785,473 | 615,624,743 | 45,160,730 | Total | 922,002,761 | 659,274,409 | 262,728,352 |

Appendix E(1)

June 2015

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2015

| | Current year 2015 | Current year 2015 | Explanation of Significant Variances greater than 10% versus Budget | |
|------------------------------------|----------------------|----------------------|--|-------------|
| | Act. Bal. | Adjusted budget | Variance | |
| | Rand | Rand | Rand | Var |
| Revenue | | | | |
| Property rates | 102,301,495 | 81,773,272 | 20,528,223 | 25.1 |
| Service charges | 101,120,351 | 83,880,862 | 17,239,489 | 20.6 |
| Rental of facilities and equipment | 3,342,089 | 5,163,434 | (1,821,345) | (35.3) |
| Interest received (trading) | 3,628,707 | 1,633,058 | 1,995,649 | 122.2 |
| Agency services | 8,574,281 | 13,333,628 | (4,759,347) | (35.7) |
| Public contributions and donations | 797,446 | - | 797,446 | - |
| Fines | 37,336,240 | 8,802,328 | 28,533,912 | 324.2 |
| Licences and permits | 13,420 | 20,429 | (7,009) | (34.3) |
| Government grants & subsidies | 640,663,648 | 598,534,464 | 42,129,184 | 7.0 |
| Recoveries | 8,312,975 | 765,020 | 7,547,955 | 986.6 |
| Other income - (rollup) | 7,703,683 | 5,848,720 | 1,854,963 | 31.7 |
| Interest received - investment | 715,888 | 662,000 | 53,888 | 8.1 |
| | 914,510,223 | 800,417,215 | 114,093,008 | 14.3 |
| Expenses | | | | |
| Personnel | (268,026,872) | (226,260,523) | (41,766,349) | 18.5 |
| Remuneration of councillors | (20,291,578) | (19,121,118) | (1,170,460) | 6.1 |
| Depreciation | (49,092,350) | (60,706,357) | 11,614,007 | (19.1) |
| Impairment | - | (3,690,544) | 3,690,544 | (100.0) |
| Amortisation | (83,464) | - | (83,464) | - |
| Impairments | (2,252,452) | - | (2,252,452) | - |
| Finance costs | (4,071,970) | (1,330,352) | (2,741,618) | 206.1 |
| Bad debts written off | (23,820,882) | (17,045,171) | (6,775,711) | 39.8 |
| Bulk purchases | (60,277,378) | (71,542,723) | 11,265,345 | (15.7) |

Appendix E(1)

June 2015

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2015

| | Current year 2015 | Current year 2015 | | | Explanation of Significant Variances greater than 10% versus Budget |
|---|------------------------------|------------------------------|--------------------|-------------|--|
| | Act. Bal. | Adjusted budget | Variance | | |
| Contracted Services | (35,506,197) | (22,488,748) | (13,017,449) | 57.9 | |
| General Expenses | <u>(195,866,127)</u> | <u>(193,625,235)</u> | <u>(2,240,892)</u> | 1.2 | |
| | (659,289,270) | (615,810,771) | (43,478,499) | 7.1 | |
| Other revenue and costs | | | | | |
| Gain or loss on disposal of assets and liabilities | (2,318,451) | - | (2,318,451) | - | |
| | <u>(2,318,451)</u> | <u>-</u> | <u>(2,318,451)</u> | <u>-</u> | |
| Net surplus/ (deficit) for the year | 252,902,502 | 184,606,444 | 68,296,058 | 37.0 | |
| Profit/(Loss) for the year | | | | | |
| | <u>252,902,502</u> | <u>184,606,444</u> | <u>68,296,058</u> | <u>37.0</u> | |

Nkomazi Local Municipality

Appendix E(2)

June 2015

**Actual versus Budget (Acquisition of property, Plant
and Equipment) as at 30 June 2015**

| | Additions | Original Budget | Revised Budget | Variance | Variance | Explanation of significant variances from budget |
|---------------------------------------|--------------------|--------------------|--------------------|---------------------|-------------|--|
| | Rand | Rand | Rand | Rand | % | |
| Municipality | | | | | | |
| Executive & Council/Mayor and Council | 31,190 | 227,200 | 70,000 | (38,810) | (55) | |
| Budget & Treasury | - | 200,000 | - | - | - | |
| Corporate Services | 1,456,790 | 2,000,000 | - | (543,210) | 25 | |
| Community & Social Services | 5,896,956 | 4,657,393 | 10,500,634 | (4,603,678) | 34 | |
| Infrastructure Development | 223,246,071 | 224,379,306 | 247,227,356 | (23,981,285) | 58 | |
| | 230,631,007 | 231,463,899 | 257,797,990 | (29,166,983) | (11) | |

Appendix F

Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003

June 2015

| Name of Grants | Quarterly Receipts | | | | | Quarterly Expenditure | | | | | Grants and Subsidies delayed / withheld | | | | |
|----------------|--------------------|-------------|-------------|-------------|------------|-----------------------|-----|-----|-----|-----|---|-----|-----|-----|-----|
| | Jun | Sep | Dec | Mar | Jun | Jun | Sep | Dec | Mar | Jun | Jun | Sep | Dec | Mar | Jun |
| EQS | - | 134,535,000 | 109,565,000 | - | 88,323,000 | - | - | - | - | - | - | - | - | - | - |
| MIG | - | 21,978,000 | 124,133,000 | 99,180,000 | - | - | - | - | - | - | - | - | - | - | - |
| RHIG | - | - | - | 4,500,000 | - | - | - | - | - | - | - | - | - | - | - |
| FMG | - | 1,600,000 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| MSIG | - | 934,000 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| WSOG | - | - | - | 12,000,000 | - | - | - | - | - | - | - | - | - | - | - |
| INEG | - | - | 7,900,000 | 1,100,000 | - | - | - | - | - | - | - | - | - | - | - |
| EPWP | - | 2,180,000 | 1,636,000 | 1,635,000 | - | - | - | - | - | - | - | - | - | - | - |
| MDG | - | 6,225,000 | - | 15,868,361 | - | - | - | - | - | - | - | - | - | - | - |
| | - | 167,452,000 | 243,234,000 | 134,283,361 | 88,323,000 | - | - | - | - | - | - | - | - | - | - |

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.

Appendix G1

Budgeted Financial Performance (revenue and expenditure by standard classification) for the year ended 30 June 2015

2015/2014

2014/2013

| | Original Budget | Budget Adjustments (i.t.o. s28 and s31 of the MFMA) | Final adjustments budget | Shifting of funds (i.t.o. s31 of the MFMA) | Virement (i.t.o. Council approved policy) | Final Budget | Actual Outcome | Unauthorised expenditure | Variance of Actual Outcome against Adjustments Budget | Actual Outcome as % of Final Budget | Actual Outcome as % of Original Budget | Reported unauthorised expenditure | Expenditure authorised in terms of section 32 of MFMA | Balance to be recovered | Restated Audited Outcome | |
|--|--------------------|---|--------------------------|--|---|--------------------|--------------------|--------------------------|---|-------------------------------------|--|-----------------------------------|---|-------------------------|--------------------------|--------------------|
| | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | |
| Revenue - Standard | | | | | | | | | | | | | | | | |
| Governance and administration | 265,327,884 | (5,595,033) | 259,732,851 | - | | 259,732,851 | 226,402,238 | | (33,330,613) | 87 % | 85 % | | | | 229,949,594 | |
| Executive and council | 5,428,800 | - | 5,428,800 | - | | 5,428,800 | 7,535,767 | | 2,106,967 | 139 % | 139 % | | | | 6,245,233 | |
| Budget and treasury office | 253,666,239 | (5,290,643) | 248,375,596 | - | | 248,375,596 | 211,873,469 | | (36,502,127) | 85 % | 84 % | | | | 219,071,921 | |
| Corporate services | 6,232,845 | (304,390) | 5,928,455 | - | | 5,928,455 | 6,993,002 | | 1,064,547 | 118 % | 112 % | | | | 4,632,440 | |
| Community and public safety | 780,965 | 14,416,949 | 15,197,914 | - | | 15,197,914 | 2,797,287 | | (12,400,627) | 18 % | 358 % | | | | 235,195 | |
| Community and social services | 110,699 | 259 | 110,958 | - | | 110,958 | 89,534 | | (21,424) | 81 % | 81 % | | | | 80,144 | |
| Sport and recreation | - | 50,000 | 50,000 | - | | 50,000 | - | | (50,000) | - % | DIV/0 % | | | | - | |
| Public safety | 670,266 | 14,366,690 | 15,036,956 | - | | 15,036,956 | 2,707,753 | | (12,329,203) | 18 % | 404 % | | | | 155,051 | |
| Economic and environmental services | 21,847,131 | 830,762 | 22,677,893 | - | | 22,677,893 | 18,886,857 | | (3,791,036) | 83 % | 86 % | | | | 15,832,324 | |
| Planning and development | 6,436,555 | 830,762 | 7,267,317 | - | | 7,267,317 | 9,699,929 | | 2,432,612 | 133 % | 151 % | | | | 4,334,077 | |
| Road transport | 13,343,739 | - | 13,343,739 | - | | 13,343,739 | 7,911,893 | | (5,431,846) | 59 % | 59 % | | | | 10,330,602 | |
| Environmental protection | 2,066,837 | - | 2,066,837 | - | | 2,066,837 | 1,275,035 | | (791,802) | 62 % | 62 % | | | | 1,167,645 | |
| Trading services | 289,715,339 | 213,093,219 | 502,808,558 | - | | 502,808,558 | 412,699,091 | | (90,109,467) | 82 % | 142 % | | | | 352,753,515 | |
| Electricity | 119,324,071 | 2,140,685 | 121,464,756 | - | | 121,464,756 | 118,740,772 | | (2,723,984) | 98 % | 100 % | | | | 105,293,709 | |
| Water | 133,323,581 | 206,825,918 | 340,149,499 | - | | 340,149,499 | 257,856,519 | | (82,292,980) | 76 % | 193 % | | | | 219,701,288 | |
| Waste water management | 3,960,841 | 4,603,909 | 8,564,750 | - | | 8,564,750 | 7,729,659 | | (835,091) | 90 % | 195 % | | | | 2,724,906 | |
| Waste management | 33,106,846 | (477,293) | 32,629,553 | - | | 32,629,553 | 28,372,141 | | (4,257,412) | 87 % | 86 % | | | | 25,033,612 | |
| Total Revenue - Standard | 577,671,319 | 222,745,897 | 800,417,216 | - | | 800,417,216 | 660,785,473 | | (139,631,743) | 83 % | 114 % | | | | 598,770,628 | |
| Expenditure - Standard | | | | | | | | | | | | | | | | |
| Governance and administration | 185,993,927 | - | 185,993,927 | - | | 185,993,927 | 180,273,785 | | (6,088,617) | (5,720,142) | 97 % | 97 % | 8,503,859 | - | (8,503,859) | 130,045,064 |
| Executive and council | 47,117,884 | - | 47,117,884 | - | | 47,117,884 | 47,402,797 | | 4,180,880 | 284,913 | 101 % | 101 % | 1,136,326 | - | (1,136,326) | 34,510,887 |
| Budget and treasury office | 99,640,493 | - | 99,640,493 | - | | 99,640,493 | 77,280,866 | | (20,990,506) | (22,359,627) | 78 % | 78 % | - | - | - | 58,499,035 |
| Corporate services | 39,235,550 | - | 39,235,550 | - | | 39,235,550 | 55,590,122 | | 10,721,009 | 16,354,572 | 142 % | 142 % | 7,367,533 | - | (7,367,533) | 37,035,142 |
| Community and public safety | 34,544,484 | 5,920,502 | 40,464,986 | - | | 40,464,986 | 53,244,449 | | 21,345,290 | 12,779,463 | 132 % | 154 % | - | - | - | 37,839,911 |
| Community and social services | 5,767,375 | 224,438 | 5,991,813 | - | | 5,991,813 | 5,692,831 | | 274,271 | (298,982) | 95 % | 99 % | - | - | - | 4,916,163 |
| Sport and recreation | 106,530 | - | 106,530 | - | | 106,530 | 209,761 | | 31,150 | 103,231 | 197 % | 197 % | - | - | - | 110,287 |
| Public safety | 28,670,579 | 5,696,064 | 34,366,643 | - | | 34,366,643 | 47,341,857 | | 21,039,869 | 12,975,214 | 138 % | 165 % | - | - | - | 32,813,461 |
| Economic and environmental services | 110,543,009 | 1,143,865 | 111,686,874 | - | | 111,686,874 | 100,586,457 | | (9,772,872) | (11,100,417) | 90 % | 91 % | - | - | - | 87,787,549 |
| Planning and development | 59,559,042 | 798,280 | 60,357,322 | - | | 60,357,322 | 49,402,030 | | (10,533,725) | (10,955,292) | 82 % | 83 % | - | - | - | 40,777,095 |
| Road transport | 44,406,428 | 345,585 | 44,752,013 | - | | 44,752,013 | 43,535,377 | | (693,443) | (1,216,636) | 97 % | 98 % | - | - | - | 41,474,000 |
| Environmental protection | 6,577,539 | - | 6,577,539 | - | | 6,577,539 | 7,649,050 | | 1,454,296 | 1,071,511 | 116 % | 116 % | - | - | - | 5,536,454 |
| Trading services | 250,401,394 | (12,039,377) | 238,362,017 | - | | 238,362,017 | 281,520,052 | | 39,934,197 | 43,158,035 | 118 % | 112 % | - | - | - | 245,557,411 |
| Electricity | 91,701,182 | (10,010) | 91,691,172 | - | | 91,691,172 | 97,251,555 | | 16,383,508 | 5,560,383 | 106 % | 106 % | - | - | - | 89,890,440 |
| Water | 124,969,998 | (12,000,000) | 112,969,998 | - | | 112,969,998 | 130,162,495 | | 1,953,073 | 17,192,497 | 115 % | 104 % | - | - | - | 115,136,712 |
| Waste water management | 3,539,457 | - | 3,539,457 | - | | 3,539,457 | 20,537,995 | | 17,027,172 | 16,998,538 | 580 % | 580 % | - | - | - | 11,131,870 |
| Waste management | 30,190,757 | (29,367) | 30,161,390 | - | | 30,161,390 | 33,568,007 | | 4,570,444 | 3,406,617 | 111 % | 111 % | - | - | - | 29,398,389 |
| Total Expenditure - Standard | 581,482,814 | (4,975,010) | 576,507,804 | - | | 576,507,804 | 615,624,743 | | 45,417,998 | 39,116,939 | 107 % | 106 % | 8,503,859 | - | (8,503,859) | 501,229,935 |
| Surplus/(Deficit) for the year | (3,811,495) | 227,720,907 | 223,909,412 | - | | 223,909,412 | 45,160,730 | | (178,748,682) | 20 % | (1,185)% | | | | 97,540,693 | |

Appendix G2

Budgeted Financial Performance (revenue and expenditure by municipal vote) for the year ended 30 June 2015

| | 2015/2014 | | | | | | | | 2014/2013 | | | | | | |
|---|--------------------|---|--------------------------------|---|--|--------------------|--------------------|-----------------------------|--|--|---|---|---|---------------------------------|--------------------------------|
| | Original Budget | Budget Adjustments (i.t.o. s28 and s31 of the MFMA) | Final adjustments budget | Shifting of funds (i.t.o. s31 of the MFMA) | Virement (i.t.o. Council approved policy) | Final Budget | Actual Outcome | Unauthorised expenditure | Variance of Actual Outcome against Budget Adjustments | Actual Outcome as % of Final Budget | Actual Outcome as % of Original Budget | Reported unauthorised expenditure | Expenditure authorised in terms of section 32 of MFMA | Balance to be recovered | Restated Audited Outcome |
| | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand |
| Revenue by Vote | | | | | | | | | | | | | | | |
| Vote 1 - Executive & Council | 5,428,800 | - | 5,428,800 | - | | 5,428,800 | 5,451,000 | | 22,200 | 100 % | 100 % | | | 6,245,233 | |
| Vote 2 - Budget & Treasury Office | 253,666,239 | (5,290,643) | 248,375,596 | - | | 248,375,596 | 276,537,691 | | 28,162,095 | 111 % | 109 % | | | 219,071,921 | |
| Vote 3 - Corporate Services | 6,232,845 | (304,390) | 5,928,455 | - | | 5,928,455 | 5,346,397 | | (582,058) | 90 % | 86 % | | | 4,632,440 | |
| Vote 4 - Planning & Development | 1,599,862 | (8,853) | 1,591,009 | - | | 1,591,009 | 1,430,745 | | (160,264) | 90 % | 89 % | | | 716,299 | |
| Vote 5 - Community & Social Services | 49,288,277 | 14,779,271 | 64,067,548 | - | | 64,067,548 | 102,231,571 | | 38,164,023 | 160 % | 207 % | | | 36,866,902 | |
| Vote 6 - Infrastructure & Development | 261,455,297 | 213,570,512 | 475,025,809 | - | | 475,025,809 | 523,512,406 | | 48,486,597 | 110 % | 200 % | | | 331,237,831 | |
| Total Revenue by Vote | 577,671,320 | 222,745,897 | 800,417,217 | - | | 800,417,217 | 914,509,810 | | 114,092,593 | 114 % | 158 % | | | 598,770,626 | |
| Expenditure by Vote to be appropriated | | | | | | | | | | | | | | | |
| Vote 1 - Executive & Council | 47,117,884 | - | 47,117,884 | - | - | 47,117,884 | 45,899,704 | 4,180,880 | (1,218,180) | 97 % | 97 % | 1,136,326 | - | (1,136,326) 34,510,887 | |
| Vote 2 - Budget & Treasury Office | 99,640,493 | - | 99,640,493 | - | | 99,640,493 | 129,484,758 | (20,990,506) | 29,844,265 | 130 % | 130 % | - | - | 58,499,035 | |
| Vote 3 - Corporate Services | 39,235,550 | - | 39,235,550 | - | | 39,235,550 | 43,031,325 | 10,721,009 | 3,795,775 | 110 % | 110 % | 7,367,533 | - | (7,367,533) 37,035,142 | |
| Vote 4 - Planning & Development | 27,710,854 | - | 27,710,854 | - | | 27,710,854 | 15,232,949 | (9,497,572) | (12,477,905) | 55 % | 55 % | - | - | 14,400,771 | |
| Vote 5 - Community & Social Services | 98,625,434 | 7,035,000 | 105,660,434 | - | | 105,660,434 | 146,979,550 | 27,398,280 | 41,319,116 | 139 % | 149 % | 2,642,809 | - | (2,642,809) 95,712,063 | |
| Vote 6 - Infrastructure & Development | 269,152,598 | (12,010,010) | 257,142,588 | - | | 257,142,588 | 289,801,712 | 33,605,908 | 32,659,124 | 113 % | 108 % | 30,039,859 | - | (30,039,859) 261,072,036 | |
| Total Expenditure by Vote | 581,482,813 | (4,975,010) | 576,507,803 | - | - | 576,507,803 | 670,429,998 | 45,417,999 | 93,922,195 | 116 % | 115 % | 41,186,527 | - | (41,186,527) 501,229,934 | |
| Surplus/(Deficit) for the year | (3,811,493) | 227,720,907 | 223,909,414 | - | | 223,909,414 | 244,079,812 | | 20,170,398 | 109 % | (6,404)% | | | 97,540,692 | |

Appendix G3

Budgeted Financial Performance (revenue and expenditure) for the year ended 30 June 2015

| | 2015/2014 | | | | | | | | 2014/2013 | | | | | | |
|---|-----------------|---|--------------------------|--|---|--------------|----------------|--------------------------|---|-------------------------------------|--|-----------------------------------|---|-------------------------|--------------------------|
| | Original Budget | Budget Adjustments (i.t.o. s28 and s31 of the MFMA) | Final adjustments budget | Shifting of funds (i.t.o. s31 of the MFMA) | Virement (i.t.o. Council approved policy) | Final Budget | Actual Outcome | Unauthorised expenditure | Variance of Actual Outcome against Adjustments Budget | Actual Outcome as % of Final Budget | Actual Outcome as % of Original Budget | Reported unauthorised expenditure | Expenditure authorised in terms of section 32 of MFMA | Balance to be recovered | Restated Audited Outcome |
| | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand |
| Revenue By Source | | | | | | | | | | | | | | | |
| Property rates | 81,773,272 | - | 81,773,272 | - | | 81,773,272 | 102,301,495 | | 20,528,223 | 125 % | 125 % | | | 64,117,324 | |
| Service charges - electricity revenue | 68,342,371 | (8,558,665) | 59,783,706 | - | | 59,783,706 | 75,832,091 | | 16,048,385 | 127 % | 111 % | | | 55,892,235 | |
| Service charges - water revenue | 19,360,181 | (4,528,388) | 14,831,793 | - | | 14,831,793 | 15,942,477 | | 1,110,684 | 107 % | 82 % | | | 11,801,910 | |
| Service charges - sanitation revenue | 3,960,841 | (134,791) | 3,826,050 | - | | 3,826,050 | 3,837,497 | | 11,447 | 100 % | 97 % | | | 2,719,609 | |
| Service charges - refuse revenue | 5,916,606 | (477,293) | 5,439,313 | - | | 5,439,313 | 5,508,286 | | 68,973 | 101 % | 93 % | | | 5,106,381 | |
| Rental of facilities and equipment | 4,573,913 | 589,522 | 5,163,435 | - | | 5,163,435 | 3,342,089 | | (1,821,346) | 65 % | 73 % | | | 3,820,211 | |
| Interest earned - external investments | 2,662,000 | (2,000,000) | 662,000 | - | | 662,000 | 715,473 | | 53,473 | 108 % | 27 % | | | 3,047,658 | |
| Interest earned - outstanding debtors | 5,463,492 | (3,830,433) | 1,633,059 | - | | 1,633,059 | | | (1,633,059) | - % | - % | | | 2,694,724 | |
| Fines | 665,500 | 8,136,829 | 8,802,329 | - | | 8,802,329 | 37,336,240 | | 28,533,911 | 424 % | 5,610 % | | | 9,594,434 | |
| Licences and permits | 29,282 | (8,853) | 20,429 | - | | 20,429 | 13,420 | | (7,009) | 66 % | 46 % | | | 29,554 | |
| Agency services | 13,333,628 | - | 13,333,628 | - | | 13,333,628 | 8,574,281 | | (4,759,347) | 64 % | 64 % | | | 9,943,341 | |
| Transfers recognised - operational | 364,477,493 | 7,264,615 | 371,742,108 | - | | 371,742,108 | 367,457,367 | | (4,284,741) | 99 % | 101 % | | | 274,787,275 | |
| Other revenue | 7,112,742 | (499,002) | 6,613,740 | - | | 6,613,740 | 20,442,811 | | 13,829,071 | 309 % | 287 % | | | 30,426,951 | |
| Total Revenue (excluding capital transfers and contributions) | 577,671,321 | (4,046,459) | 573,624,862 | - | | 573,624,862 | 641,303,527 | | 67,678,665 | 112 % | 111 % | | | 474,118,385 | |
| Expenditure By Type | | | | | | | | | | | | | | | |
| Employee related costs | 226,291,538 | (31,015) | 226,260,523 | - | | 226,260,523 | 268,026,872 | 14,304,242 | 41,766,349 | 118 % | 118 % | - | - | - | 200,074,804 |
| Remuneration of councillors | 19,121,118 | - | 19,121,118 | - | | 19,121,118 | 20,291,578 | 1,021,720 | 1,170,460 | 106 % | 106 % | - | - | - | 19,136,512 |
| Debt impairment | 17,045,171 | - | 17,045,171 | | | 17,045,171 | 23,820,882 | - | 6,775,711 | 140 % | 140 % | - | - | - | 10,269,957 |
| Depreciation & asset impairment | 64,396,900 | - | 64,396,900 | | | 64,396,900 | 51,428,266 | 3,250 | (12,968,634) | 80 % | 80 % | - | - | - | 55,979,697 |
| Finance charges | 930,352 | 400,000 | 1,330,352 | - | | 1,330,352 | 4,071,970 | 1,814 | 2,741,618 | 306 % | 438 % | - | - | - | 2,345,358 |
| Bulk purchases | 71,542,723 | - | 71,542,723 | - | | 71,542,723 | 60,277,378 | 8,071,472 | (11,265,345) | 84 % | 84 % | - | - | - | 58,159,340 |
| Other materials | 1,653,588 | 73,860 | 1,727,018 | - | | 1,727,018 | - | 216,517 | (1,727,018) | - % | - % | - | - | - | 1,309,506 |
| Contracted services | 18,652,934 | 3,835,814 | 22,488,748 | - | | 22,488,748 | 35,506,197 | 5,027,491 | 13,017,449 | 158 % | 190 % | - | - | - | 23,266,444 |
| Transfers and grants | 211,200 | 19,752 | 230,952 | - | | 230,952 | - | - | (230,952) | - % | - % | - | - | - | 96,586 |
| Other expenditure | 161,637,719 | (9,273,420) | 152,364,299 | - | | 152,364,299 | 207,869,174 | 16,771,494 | 55,504,875 | 136 % | 129 % | - | - | - | 141,694,643 |
| Total Expenditure | 581,482,813 | (4,975,009) | 576,507,804 | - | | 576,507,804 | 671,292,317 | 45,418,000 | 94,784,513 | 116 % | 115 % | - | - | - | 512,332,847 |
| Surplus/(Deficit) | (3,811,492) | 928,550 | (2,882,942) | - | | (2,882,942) | (29,988,790) | (45,418,000) | (27,105,848) | 1,040 % | 787 % | | | | (38,214,462) |
| Transfers recognised - capital | 219,381,506 | 7,410,850 | 226,792,356 | - | | 226,792,356 | 273,206,281 | | 46,413,925 | 120 % | 125 % | | | | 142,971,506 |
| Surplus/(Deficit) after capital transfers & contributions | 215,570,014 | 8,339,400 | 223,909,414 | - | | 223,909,414 | 243,217,491 | | 19,308,077 | 109 % | 113 % | | | | 104,757,044 |
| Surplus/(Deficit) after taxation | 215,570,014 | 8,339,400 | 223,909,414 | - | | 223,909,414 | 243,217,491 | | 19,308,077 | 109 % | 113 % | | | | 104,757,044 |
| Surplus/(Deficit) attributable to municipality | 215,570,014 | 8,339,400 | 223,909,414 | - | | 223,909,414 | 243,217,491 | | 19,308,077 | 109 % | 113 % | | | | 104,757,044 |
| Surplus/(Deficit) for the year | 215,570,014 | 8,339,400 | 223,909,414 | - | | 223,909,414 | 243,217,491 | | 19,308,077 | 109 % | 113 % | | | | 104,757,044 |

Appendix G4

Budgeted Capital Expenditure by vote, standard classification and funding for the year ended 30 June 2015

| | 2015/2014 | | | | | | | | 2014/2013 | | | | | | |
|--|--------------------|---|--------------------------|--|---|--------------------|--------------------|--------------------------|---|-------------------------------------|--|-----------------------------------|---|-------------------------|--------------------------|
| | Original Budget | Budget Adjustments (i.t.o. s28 and s31 of the MFMA) | Final adjustments budget | Shifting of funds (i.t.o. s31 of the MFMA) | Virement (i.t.o. Council approved policy) | Final Budget | Actual Outcome | Unauthorised expenditure | Variance of Actual Outcome against Adjustments Budget | Actual Outcome as % of Final Budget | Actual Outcome as % of Original Budget | Reported unauthorised expenditure | Expenditure authorised in terms of section 32 of MFMA | Balance to be recovered | Restated Audited Outcome |
| | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand |
| Capital expenditure - Vote Multi-year expenditure | | | | | | | | | | | | | | | |
| Example 1 - Vote1 | - | - | - | - | - | - | - | - | - | DIV/0 % | DIV/0 % | - | - | - | |
| Example 2 - Vote2 | - | - | - | - | - | - | - | - | - | DIV/0 % | DIV/0 % | - | - | - | |
| Example 3 - Vote3 | - | - | - | - | - | - | - | - | - | DIV/0 % | DIV/0 % | - | - | - | |
| Example 4 - Vote4 | - | - | - | - | - | - | - | - | - | DIV/0 % | DIV/0 % | - | - | - | |
| Vote 5 - Community & Social Services | 3,557,393 | 5,843,241 | 9,400,634 | - | - | 9,400,634 | - | - | (9,400,634) | - % | - % | - | - | - | |
| Vote 6 - Infrastructure & Development | 164,296,913 | 33,489,232 | 197,786,145 | - | - | 197,786,145 | 108,497,861 | 14,653,168 | (89,288,284) | 55 % | 66 % | - | - | - | |
| Example 7 - Vote7 | - | - | - | - | - | - | - | - | - | DIV/0 % | DIV/0 % | - | - | - | |
| Example 8 - Vote8 | - | - | - | - | - | - | - | - | - | DIV/0 % | DIV/0 % | - | - | - | |
| Example 9 - Vote9 | - | - | - | - | - | - | - | - | - | DIV/0 % | DIV/0 % | - | - | - | |
| Example 10 - Vote10 | - | - | - | - | - | - | - | - | - | DIV/0 % | DIV/0 % | - | - | - | |
| Example 11 - Vote11 | - | - | - | - | - | - | - | - | - | DIV/0 % | DIV/0 % | - | - | - | |
| Example 12 - Vote12 | - | - | - | - | - | - | - | - | - | DIV/0 % | DIV/0 % | - | - | - | |
| Example 13 - Vote13 | - | - | - | - | - | - | - | - | - | DIV/0 % | DIV/0 % | - | - | - | |
| Example 14 - Vote14 | - | - | - | - | - | - | - | - | - | DIV/0 % | DIV/0 % | - | - | - | |
| Example 15 - Vote15 | - | - | - | - | - | - | - | - | - | DIV/0 % | DIV/0 % | - | - | - | |
| Capital multi-year expenditure subtotal | 167,854,306 | 39,332,473 | 207,186,779 | - | - | 207,186,779 | 108,497,861 | 14,653,168 | (98,688,918) | 52 % | 65 % | - | - | - | - |
| Single-year expenditure | | | | | | | | | | | | | | | |
| Vote 1 - Executive & Council | 227,200 | (157,200) | 70,000 | - | - | 70,000 | 24,242 | 24,242 | (45,758) | 35 % | 11 % | 6,885 | - | (6,885) | 114,345 |
| Vote 2 - Budget & Treasury Office | 200,000 | (200,000) | - | - | - | - | 175,103 | - | 175,103 | DIV/0 % | 88 % | - | - | - | 104,380 |
| Vote 3 - Corporate Services | 2,000,000 | - | 2,000,000 | - | - | 2,000,000 | 910,905 | - | (1,089,095) | 46 % | 46 % | 13,314 | - | (13,314) | 1,922,917 |
| Vote 4 - Planning & Development | - | - | - | - | - | - | 4,033,652 | - | 4,033,652 | DIV/0 % | DIV/0 % | - | - | - | - |
| Vote 5 - Community & Social Services | 1,100,000 | - | 1,100,000 | - | - | 1,100,000 | 16,052,347 | 325,433 | 14,952,347 | 1,459 % | 1,459 % | 32,930 | - | (32,930) | 8,853,660 |
| Vote 6 - Infrastructure & Development | 59,525,000 | (19,484,423) | 40,040,577 | - | - | 40,040,577 | 31,373,897 | 7,607,922 | (8,666,680) | 78 % | 53 % | 4,223,695 | - | (4,223,695) | 120,949,606 |
| Example 7 - Vote7 | - | - | - | - | - | - | - | - | - | DIV/0 % | DIV/0 % | - | - | - | - |
| Example 8 - Vote8 | - | - | - | - | - | - | - | - | - | DIV/0 % | DIV/0 % | - | - | - | - |
| Example 9 - Vote9 | - | - | - | - | - | - | - | - | - | DIV/0 % | DIV/0 % | - | - | - | - |
| Example 10 - Vote10 | - | - | - | - | - | - | - | - | - | DIV/0 % | DIV/0 % | - | - | - | - |
| Example 11 - Vote11 | - | - | - | - | - | - | - | - | - | DIV/0 % | DIV/0 % | - | - | - | - |
| Example 12 - Vote12 | - | - | - | - | - | - | - | - | - | DIV/0 % | DIV/0 % | - | - | - | - |
| Example 13 - Vote13 | - | - | - | - | - | - | - | - | - | DIV/0 % | DIV/0 % | - | - | - | - |
| Example 14 - Vote14 | - | - | - | - | - | - | - | - | - | DIV/0 % | DIV/0 % | - | - | - | - |
| Example 15 - Vote15 | - | - | - | - | - | - | - | - | - | DIV/0 % | DIV/0 % | - | - | - | - |
| Capital single-year expenditure subtotal | 63,052,200 | (19,841,623) | 43,210,577 | - | - | 43,210,577 | 52,570,146 | 7,957,597 | 9,359,569 | 122 % | 83 % | 4,276,824 | - | (4,276,824) | - |
| Total Capital Expenditure - Vote | 230,906,506 | 19,490,850 | 250,397,356 | - | - | 250,397,356 | 161,068,007 | 22,610,765 | (89,329,349) | 64 % | 70 % | 4,276,824 | - | (4,276,824) | - |
| Capital Expenditure - Standard | | | | | | | | | | | | | | | |
| Governance and administration | 2,427,200 | (357,200) | 2,070,000 | - | - | 2,070,000 | 1,110,250 | 24,242 | (959,750) | 54 % | 46 % | 20,199 | - | (20,199) | 2,141,642 |
| Executive and council | 227,200 | (157,200) | 70,000 | - | - | 70,000 | 24,242 | 24,242 | (45,758) | 35 % | 11 % | 6,885 | - | (6,885) | 114,345 |
| Budget and treasury office | 200,000 | (200,000) | - | - | - | - | 175,103 | - | 175,103 | DIV/0 % | 88 % | - | - | - | 104,380 |
| Corporate services | 2,000,000 | - | 2,000,000 | - | - | 2,000,000 | 910,905 | - | (1,089,095) | 46 % | 46 % | 13,314 | - | (13,314) | 1,922,917 |
| Community and public safety | - | - | - | - | - | - | 580,165 | 21,115 | 580,165 | DIV/0 % | DIV/0 % | - | - | - | 426,701 |
| Community and social services | - | - | - | - | - | - | 395,550 | - | 395,550 | DIV/0 % | DIV/0 % | - | - | - | 424,958 |

Appendix G4

Budgeted Capital Expenditure by vote, standard classification and funding for the year ended 30 June 2015

2015/2014

2014/2013

| | Original Budget | Budget Adjustments (i.t.o. s28 and s31 of the MFMA) | Final adjustments budget | Shifting of funds (i.t.o. s31 of the MFMA) | Virement (i.t.o. Council approved policy) | Final Budget | Actual Outcome | Unauthorised expenditure | Variance of Actual Outcome against Adjustments | Actual Outcome as % of Final Budget | Actual Outcome as % of Original Budget | Reported unauthorised expenditure | Expenditure authorised in terms of section 32 of MFMA | Balance to be recovered | Restated Audited Outcome |
|---|--------------------|---|--------------------------|--|---|--------------------|--------------------|--------------------------|--|-------------------------------------|--|-----------------------------------|---|-------------------------|--------------------------|
| | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Budget Rand | Rand | Rand | Rand | Rand | Rand | Rand |
| Sport and recreation | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Public safety | - | - | - | - | - | - | 184,615 | 21,115 | 184,615 | DIV/0 % | DIV/0 % | - | - | - | 1,743 |
| Housing | - | - | - | - | - | - | - | - | - | DIV/0 % | DIV/0 % | - | - | - | - |
| Health | - | - | - | - | - | - | - | - | - | DIV/0 % | DIV/0 % | - | - | - | - |
| Economic and environmental services | 67,044,618 | (26,942,082) | 40,102,536 | - | - | 40,102,536 | 54,288,048 | 5,034,548 | 14,185,512 | 135 % | 81 % | 2,053,961 | - | (2,053,961) | 19,786,302 |
| Planning and development | 3,057,393 | 5,914,442 | 8,971,835 | - | - | 8,971,835 | 14,923,308 | - | 5,951,473 | 166 % | 488 % | 25,737 | - | (25,737) | 7,337,723 |
| Road transport | 63,987,225 | (32,856,524) | 31,130,701 | - | - | 31,130,701 | 39,364,740 | 5,034,548 | 8,234,039 | 126 % | 62 % | 2,021,031 | (2,021,031) | 11,782,009 | 666,570 |
| Environmental protection | - | - | - | - | - | - | - | - | - | DIV/0 % | DIV/0 % | 7,193 | (7,193) | - | - |
| Trading services | 161,434,688 | 46,790,131 | 208,224,819 | - | - | 208,224,819 | 98,343,954 | 17,530,859 | (109,880,865) | 47 % | 61 % | 2,202,664 | - | (2,202,664) | 109,590,262 |
| Electricity | 14,600,000 | 1,709,350 | 16,309,350 | - | - | 16,309,350 | 19,297,747 | 73,252 | 2,988,397 | 118 % | 132 % | 142,411 | (142,411) | 19,617,972 | - |
| Water | 123,134,688 | 44,913,283 | 168,047,971 | - | - | 168,047,971 | 76,714,695 | 13,175,059 | (91,333,276) | 46 % | 62 % | 1,805,970 | (1,805,970) | 86,736,441 | - |
| Waste water management | 22,500,000 | 238,700 | 22,738,700 | - | - | 22,738,700 | - | 3,978,231 | (22,738,700) | - % | - % | 254,283 | (254,283) | 2,813,183 | - |
| Waste management | 1,200,000 | (71,202) | 1,128,798 | - | - | 1,128,798 | 2,331,512 | 304,317 | 1,202,714 | 207 % | 194 % | - | - | - | 422,666 |
| Other | - | - | - | - | - | - | - | - | - | DIV/0 % | DIV/0 % | - | - | - | - |
| Other | - | - | - | - | - | - | - | - | - | DIV/0 % | DIV/0 % | - | - | - | - |
| Total Capital Expenditure - Standard | 230,906,506 | 19,490,849 | 250,397,355 | - | - | 250,397,355 | 154,322,417 | 22,610,764 | (96,074,938) | 62 % | 67 % | 4,276,824 | - | (4,276,824) | 131,944,907 |
| Funded by: | | | | | | | | | | | | | | | |
| National Government | 219,381,506 | 7,410,850 | 226,792,356 | - | ■■■■■ | 226,792,356 | 273,206,281 | ■■■■■ | 46,413,925 | 120 % | 125 % | ■■■■■ | ■■■■■ | - | - |
| Provincial Government | - | - | - | - | ■■■■■ | - | - | ■■■■■ | - | DIV/0 % | DIV/0 % | - | - | - | - |
| District Municipality | - | - | - | - | ■■■■■ | - | - | ■■■■■ | - | DIV/0 % | DIV/0 % | - | - | - | - |
| Other transfers and grants | - | - | - | - | ■■■■■ | - | - | ■■■■■ | - | DIV/0 % | DIV/0 % | - | - | - | - |
| Transfers recognised - capital | 219,381,506 | 7,410,850 | 226,792,356 | - | ■■■■■ | 226,792,356 | 273,206,281 | ■■■■■ | 46,413,925 | 120 % | 125 % | ■■■■■ | ■■■■■ | - | - |
| Public contributions & donations | - | - | - | - | ■■■■■ | - | - | ■■■■■ | - | DIV/0 % | DIV/0 % | - | - | - | - |
| Borrowing | - | - | - | - | ■■■■■ | - | - | ■■■■■ | - | DIV/0 % | DIV/0 % | - | - | - | - |
| Internally generated funds | 11,525,000 | - | 11,525,000 | - | ■■■■■ | 11,525,000 | 13,086,639 | ■■■■■ | 1,561,639 | 114 % | 114 % | ■■■■■ | ■■■■■ | - | - |
| Total Capital Funding | 230,906,506 | 7,410,850 | 238,317,356 | - | ■■■■■ | 238,317,356 | 286,292,920 | ■■■■■ | 47,975,564 | 120 % | 124 % | ■■■■■ | ■■■■■ | - | - |

Appendix G5
Budgeted Cash Flows
for the year ended 30 June 2015

| | 2015/2014 | | | | | 2014 | | | |
|--|----------------------|---|--------------------------|----------------------|----------------------|---|-------------------------------------|--|--------------------------|
| | Original Budget | Budget Adjustments (i.t.o. s28 and s31 of the MFMA) | Final adjustments budget | Final Budget | Actual Outcome | Variance of Actual Outcome against Adjustments Budget | Actual Outcome as % of Final Budget | Actual Outcome as % of Original Budget | Restated Audited Outcome |
| | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand |
| Cash flow from operating activities | | | | | | | | | |
| Ratepayers and other | 168,859,343 | (48,750,716) | 120,108,627 | 120,108,627 | 155,017,161 | 34,908,534 | 129 % | 92 % | 157,438,713 |
| Government - operating | 364,477,493 | 7,264,615 | 371,742,108 | 371,742,108 | 314,427,663 | (57,314,445) | 85 % | 86 % | 274,787,275 |
| Government - capital | 219,381,506 | 7,410,850 | 226,792,356 | 226,792,356 | 169,433,156 | (57,359,200) | 75 % | 77 % | 142,971,506 |
| Interest | 8,125,492 | (5,830,433) | 2,295,059 | 2,295,059 | 1,794,381 | (500,678) | 78 % | 22 % | 3,047,658 |
| Suppliers and employees | (498,899,189) | 159,387,737 | (339,511,452) | (339,511,452) | (458,611,865) | (119,100,413) | 135 % | 92 % | (437,249,261) |
| Finance charges | (930,352) | (400,000) | (1,330,352) | (1,330,352) | (2,314,208) | (983,856) | 174 % | 249 % | (979,322) |
| Transfers and Grants | (211,200) | (19,752) | (230,952) | (230,952) | (40,580) | 190,372 | 18 % | 19 % | (96,586) |
| Net cash flow from/used operating activities | 260,803,093 | 119,062,301 | 379,865,394 | 379,865,394 | 179,705,708 | (200,159,686) | 47 % | 69 % | 139,919,983 |
| Cash flow from investing activities | | | | | | | | | |
| Deposits made | | | | | (203,281) | (203,281) | DIV/0 % | DIV/0 % | - |
| Capital assets | (230,906,506) | (19,490,850) | (250,397,356) | (250,397,356) | (182,076,957) | 68,320,399 | 73 % | 79 % | (131,944,909) |
| Net cash flow from/used investing activities | (230,906,506) | (19,490,850) | (250,397,356) | (250,397,356) | (182,280,238) | 68,117,118 | 73 % | 79 % | (131,808,131) |
| Cash flow from financing activities | | | | | | | | | |
| Borrowing long term/refinancing | - | - | - | - | (698,147) | (698,147) | DIV/0 % | DIV/0 % | (1,398,672) |
| Movement in trade payables from non-exchange transaction | - | - | - | - | 1 | 1 | DIV/0 % | DIV/0 % | 113,596 |
| Repayment of borrowing | - | - | - | - | (376,376) | (376,376) | DIV/0 % | DIV/0 % | (556,912) |
| Net cash flow from/used financing activities | - | - | - | - | (1,074,522) | (1,074,522) | DIV/0 % | DIV/0 % | (1,841,988) |
| Net increase/(decrease) in cash held | 29,896,587 | 99,571,451 | 129,468,038 | 129,468,038 | (3,649,052) | (133,117,090) | (3)% | (12)% | 6,269,864 |
| Cash/cash equivalents at the year begin: | | | | | 12,851,627 | | | | 1,481,390 |
| Cash/cash equivalents at the year end: | 29,896,587 | 99,571,451 | 129,468,038 | 129,468,038 | 9,202,575 | (133,117,090) | 7 % | 31 % | |